

From the inside out:
Domestic factors underlying the variance across Korea's FTA policy
outcomes

By Sang Bok Moon

A thesis submitted for the degree of Doctor of Philosophy of The Australian
National University

Supervision by Prof. John Ravenhill
Supervisory Panel: Dr. Leonard Seabrooke and Dr. Heike

Department of International Relations
Research School of Pacific and Asian Studies
The Australian National University

On January 2010

Statement of Authenticity

*I declare that this thesis is the result of my original work and all sources
have been acknowledged.*

Sang-Bok Moon

January 2010

Signed: 문상복

Table of Contents

| | |
|---|---------|
| List of Tables | iv |
| Abstract | v |
| Acknowledgements | vi |
| List of Abbreviations | vii |
| Introduction | 10 |
| Research Questions | 17 |
| Purpose of This Study | 19 |
| Analytical Frame Work | 20 |
| Methodology | 22 |
| The Significance of This Study | 23 |
| An Overview of this Thesis | 24 |
| Chapter One: Literature Review and Theory | 25 |
| Systemic Approaches | 26 |
| Statist Approaches | 29 |
| Societal Approaches | 35 |
| Chapter Two: Korea's FTA Context | 46 |
| The Three Key Structures of Channels of Influence | 48 |
| Three Phases of an FTA Process | 63 |
| Chapter Three: Korea–Chile FTA | 66 |
| Background to Korea–Chile FTA | 67 |
| Identification of the Key Domestic Stakeholders | 74 |
| An Evaluation of the Impact the Domestic Stakeholder's Influences | 110 |
| Chapter Four: Korea–Japan FTA | 118 |
| Background to Korea–Japan FTA | 119 |
| Identification of the Key Domestic Stakeholders | 129 |
| Setting the Stage for a discussion of the Channels of influence | 149 |
| An Evaluation of the Impact the Domestic Stakeholder's Influences | 159 |
| Chapter Five: Korea–US FTA | 165 |
| Background to Korea–US FTA | 165 |
| Identification of the Key Domestic Stakeholders | 174 |
| Setting the Phase for a discussion of the Channels of influence | 198 |
| An Evaluation of the Impact the Domestic Stakeholder's Influences | 221 |
| Conclusion | 241 |
| Appendix I | 256 |
| Bibliography | 257 |

List of Tables, Graphs and Diagrams

| | |
|--|-----|
| Table 1.1: World total FTA status | 14 |
| Table 3.1: Chronology of the Korea-Chile FTA | 56 |
| Table 3.2: Korean manufactured goods' share of Chilean market | 71 |
| Table 3.3: Evolution of opposition | 78 |
| Table 3.4: Characteristics of Four Industry Type | 85 |
| Table 3.5: Comparison of items exempted from Chile/Chile's FTA partner countries | 112 |
| Table 3.6: Tariff Categories of Agricultural Products Imported from Chile | 112 |
| Table 3.7: Chilean Tariff Categories of Products Imported from Korea | 113 |
| Table 4.1: Chronology of the Korea-Japan FTA | 120 |
| Table 4.2: Macroeconomic Effects of a Korea-Japan FTA | 126 |
| Table 4.3: Possible Economic Effects of Korea-Japan FTA | 127 |
| Table 4.4: Case of Japanese Non-Tariff Barriers | 141 |
| Table 4.5: Japan's Non-Tariff Barriers to Korean Exporters | 143 |
| Table 4.6: Effects to each industry by Korea-Japan FTA | 145 |
| Table 4.7: Trade effects in the manufacturing fields based on the analysis of elasticity | 146 |
| Table 4.8: Impact of Possible FTA on Bilateral Trade Balances | 157 |
| Table 5.1: Chronology of the Korea-US FTA | 168 |
| Table 5.2: Korea-US FTA Effect/Influences and Industry Standpoints by Industry | 186 |
| Table 5.3: Evaluation Scores on Korea-US FTA Issues by Category | 190 |
| Table 5.4: Impact of Korea-US FTA on Korean Agriculture | 191 |
| Table 5.5: Korea-US FTA Settlement Summary | 224 |
| Figure 1.1: Evolution of Regional Trade Agreements in the world, 1948–2007 | 15 |
| Figure 2 1: South Korea's FTA policy structure | 54 |
| Figure 5.1: Which one will have benefit from Korea-U FTA? | 189 |
| Figure 5.2: Influence of Korea-US FTA Settlement on the Coming Presidential Election | 211 |
| Figure 5.3: Possible Korean industries that stand to benefit from a Korea-US FTA | 228 |

Abstract

The central focus here is on variance in outcomes in Korea's Free Trade Agreement negotiations that occurred in response to domestic pressures. The literature on trade policy has focused in large part on the United States; there has been relatively little work done on developing countries, such as Korea, and what studies are available regarding Korea tend to focus on systemic interpretations, with few exceptions. I attempt to address this imbalance by examining both statist and societal approaches with a view to understanding the variances in trade policy outcomes. This variance cannot be explained using systemic approaches alone; it suggests an important role played by domestic social actors. Although systemic and statist interpretations can help us in understanding large parts of how and why Korean FTAs evolve as they do, on their own these approaches fall short in providing a comprehensive explanation for the variance in outcomes, which are the result of a combination of domestic stakeholder's motivations and modes of expressing policy preferences. I test this argument using qualitative methods, consisting of interviews with important individuals, across three case studies; the Korea-Chile, Korea-Japan and Korea-US FTAs.

The key findings of this thesis are that the variance that occurs reflects the role that domestic social actors play in Korea FTA policy outcomes. Furthermore, these domestic social actors utilise Organisational Power (OP) to act through specific channels of influence: Public Influence (PI), ability to Influence Public Institutions (IPI) and Proximity to Policy makers and Politicians (PPPM)), and that the ability to influence policy outcome is linked to these actors' ability to access these channels effectively. During the Korea-Chile FTA, the agricultural sector successfully persuaded the government to exclude three specific items from the final agreement, despite immense pressure from Chile not to do so. The Korea-Japan FTA ground to a halt during negotiations due to opposition from the FKI and the fact that the only supporting institution was the MOFAT. Finally, the Korea-US FTA, although it has not reached ratification as of writing, has already been successfully altered by the KoA and affiliated groups. Each of these groups had access to either multiple channels of influence (PI, PPPM and IPI) or had dominance in one (e.g. Korea-Japan where the FKI had dominance in IPI). Lack of access to these channels of access would seem to preclude an ability to influence FTA policy outcomes.

Acknowledgements

This thesis claims help and sacrifice from many people. They deserve more than a mere “thank you.” However, the only one thing that I can offer them is to put their names here.

Byung-Kyung Hwang, my close friend helped me considerably. Gyi-Chan Park, Hae-Suk Whang and Min-Soo Kang, they also helped me through this course, in particular, my friend Min-Soo, who was always looking over my shoulder. And I would like to thank those who presented themselves for interviews.

Also, the people of the Department of International relations in the Research School of Pacific Asian studies of the Australian National University: Lynne Payne and Liz Conway for their help in organising everything from top to bottom.

My colleagues, André, Christopher, Danielle, Gil, Jikon, Lacy, Shannon, Daniel, Yang, who all engaged themselves in my work, in particular Jae-Jeok, and Miwa, thank you.

A thank you also goes to the Department staff, Dr. Katherine Morton, Professor Stuart Harris, Professor Chris Reus-Smit, and especially Professor William T. Tow, he always gave support and understanding.

I would like to express my gratitude to my English editors; Alec Forss, Matthew Zammit, and especially Alan Reilly.

My supervisory panel: Dr. Leonard Seabrooke, and Dr. Heike Hermanns, who spent a lot of energy in reading and offering invaluable comment. I appreciate them. However, the most important thank you is reserved for my supervisor, Professor John Ravenhill. His attention to detail, his insights and his willingness to insist on better were invaluable to me in completing this thesis.

My five sisters (Sang-phil, Sang-young, Sang-mi, Doo-sang and Sang-hee) who have had to sacrifice much for me over the years, they all have supported me mentally and emotionally, all these years.

Finally, my mother, *Jung-Gap Lee*, from the moment I was born her devotion has been unswerving. I owe her the most.

List of Abbreviations

| | |
|---------|---|
| ACCK | American Chamber of Commerce in Korea |
| AD | Anti-Dumping |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of Southeast Asian Nations |
| AWNM | Anti-WTO National Movement |
| BIT | Bilateral Investment Treaty |
| BSE | Bovine Spongiform Encephalopathy |
| CCEJ | Citizens' Coalition for Economic Justice |
| CGE | Ccomputable General Equilibrium Models |
| COFAT | Committee on Unification, Foreign Affairs and Trade |
| CVD | Countervailing Duties |
| DC | Developmental Capitalism |
| DDA | Doha Development Agenda |
| DLP | Democratic Labour Party |
| DP | Democratic Party |
| DRPR | Drug Price Reasonably-Priced Plan |
| EASG | East Asian Study Group |
| EAVG | East Asian Vision Group |
| EFTA | European Free Trade Association |
| EOCPR | Establishment and Operation of Contracting Procedure Regulations of FTA |
| FAP | Final Agreement Paper |
| FCAK | Free Citizens' Alliance of Korea |
| FDI | Foreign Direct Investment |
| FKI | Federation of Korean Industries |
| FKTU | Federation of Korean Trade Unions |
| FSMB | Korea Federation of Small and Medium Business |
| FTA | Free Trade Agreement |
| GATT | General Agreement of Tariffs and Trade |
| GBA-JSG | Governmental, Business, Academic Joint Study Group |
| GDP | Gross National Product |
| GNI | Gross National Income |
| GNP | Grand National Party |
| HALU | Hyundai Automobiles' Labour Union |
| ICA | International Court of Arbitration |
| IDE | Institute of Development Economics |
| IMF | International Monetary Fund |
| IPI | Power to influence political institutions |
| ISD | Investor-State Dispute Settlement |
| ITC | International Trade Commission |
| KAFF | Korean Advanced Farmers Federation |
| KAFS | Korea–America Friendship Society |
| KAICA | Korea Auto Industries Cooperation and Association |
| KAMA | Korean Automobile Manufacturers Association |
| KCCI | Korea Chamber of Commerce and Industry |
| KCFA | Korean Coalition of Farmers' Association |
| KCFO | Korean Catholic Farming Organisation |
| KCOCI | Korea Chamber of Commerce and Industry |
| KCTU | Korean Confederation of Trade Union |
| KEF | Korea Employers Federation |

| | |
|---------|--|
| KERI | Korea Economic Research Institute |
| KFCCA | Korean Farmer's Cooperation Council Association |
| KFOTI | Korean Federation of Textile Industries |
| KFSMB | Korea Federation of Small and Medium Business |
| KFTU | Federation of Korean Trade Unions |
| KGA | Korean Grape Association |
| KIEP | The Korea's Institute for International Economic Policy |
| KIET | Korea Institute for Industrial Economics & Trade |
| KITA | Korea International Trade Association |
| KORUSSC | Korea-US FTA Supporting Committee |
| KOTRA | Korea Trade-Investment Promotion Agency |
| KPA | Korean Pork Association |
| KPAA | Korean People's Action against Investment Treaties and the WTO |
| KPAFW | The Korean People's Action against FTA and WTO |
| KPL | Korean Peasants League |
| KPMA | Korea Pharmaceutical Manufacturers Association |
| KPS | Korean People's Solidarity |
| KREI | Korea Rural Economic Institute |
| LFP | Liberty Forward Party |
| PPPM | Proximity of closeness to key politicians and policy makers |
| LU | Liberty Union |
| MDP | Millennium Democratic Party |
| METI | Ministry of Economy, Trade and Industry |
| MKE | Ministry of Knowledge Economy |
| MMA | Minimum Market Access |
| MOAF | Ministry of Agriculture and Forestry |
| MOCAT | Ministry of Construction and Transportation |
| MOCIE | Ministry of Commerce, Industry and Energy |
| MOF | Minister of Finance |
| MOFAT | Ministry of Foreign Affairs and Trade |
| MOFE | Ministry of Finance and Economy |
| MOHAW | Ministry of Health and Welfare |
| MOJ | Ministry of Justice |
| MOKE | Minister of Knowledge Economy |
| MOL | Ministry of Labour |
| MOPAS | Ministry of Public Administration and Security |
| MOSF | Ministry of Strategy and Finance |
| MPs | Member of Parliaments |
| NA | National Assembly |
| NACF | National Agricultural Cooperative Federation |
| NAECP | Northeast Asian Economic Cooperation Plan |
| NAFTA | North American Free Trade Agreement |
| NCP | National Confederation of People |
| NFF | National Federation of Farmers |
| NFU | National Farmers' Union |
| NGC | National Grape Council |
| NGO | Non-Governmental Organisations |
| NMA | National Minjung Association |
| NMLU | National Metals Labour Union |
| NMP | Nong-Min Power |
| NSO | National Statistical Office |
| NTBs | Non-Tariff Barriers |

| | |
|-------|---|
| OECD | Organisation for Economic Cooperation and Development |
| OIE | Office International des Epizooties |
| OP | Organisational Power |
| OPA | Outward Processing Arrangement |
| PI | Public influence |
| PPFR | Provisions on the Procedures of FTA Ratification |
| PSFE | The People's Solidarity for Future Environment |
| PSGK | The People's Struggle Group Korea |
| PSPD | People's Solidarity for Participatory Democracy |
| PU | People's Union |
| RNMH | Right National Movement Headquarters for Korea-US FTA |
| RP | Rural Party |
| SERI | Samsung Economic Research Institute |
| SMEs | Small and medium enterprises |
| TPA | Trade Promotion Authority |
| TRQ | Tariff rate Quotas |
| UCCI | Ulsan Chamber of Commerce and Industry |
| UDP | United Democratic Party |
| UFATC | Unification, Foreign Affairs and Trade Committee |
| UR | Uruguay Round |
| USITC | US International Trade Commission |
| USTR | United States Trade Representative |
| WTO | World Trade Organisation |

Introduction

The purpose of this thesis is to decipher to what extent and how South Korea's domestic interest groups influence international trade agreements. This will be done through a study of Korea's policies on Free Trade Agreements (FTAs).

The initial stages of Korea's domestic interest groups' (or domestic stakeholders) relationship with international trade policy can be tied to the demonstrations against the General Agreement of Tariffs and Trade (GATT), Uruguay Round (UR) of negotiations. The opening of the rice market in the UR¹ negotiations of 1993 precipitated one of the most critical issues for South Korea (hereafter, Korea) in terms of its economy, politics, society and culture (Kim 1994: 69). During the course of the negotiations, many Koreans expressed vehement opposition to the opening of the rice market through nationwide demonstrations (Kim 2006b; Kim 1996; Sim 1993). Farmers and civic groups held rallies, issued statements and sent representatives to Geneva². Even the Korean ambassador to Geneva, Hu Se-ung, once claimed that '*Rice is life to Koreans*,' when the issue was raised at a meeting of the GATT. Countering this however, the Chairman of the Federation of Korean Industries (FKI), Choi Chong-hyun, suggested that the government should proceed to open the Korean rice market on the basis of the low economic value of rice in Korea³. Despite this formidable economic argument, the coalitions opposed to concessions on rice in the negotiations presented difficulties for the government to implement any decision on the issue. As a result, Korea received more concessions on rice than any other country participating in the UR negotiations, including Japan⁴.

Similarly, during the 2003 World Trade Organisation (WTO) conference held in the Mexican resort of Cancun, when ministers from 146 countries hoped to break a two-year deadlock in trade liberalisation talks, a Korean citizen, Lee Kyang-hae – who headed Korea's Federation of Farmers and Fishermen – killed himself in protest against

¹ The UR was the most complicated set of the GATT negotiations because it widened the agenda to include not only trade in goods but also trade in services, intellectual property, and trade-related investment measures and it began the process of applying global trade rules to sensitive areas such as agriculture and textiles (Cohn 2002: 235).

² During this negotiation period, some visits by National Assembly (NA) members and the farmers' representatives' visits to Geneva – plus their demonstration activities there – were also helpful in explaining the Korean agricultural sector's difficulties.

³ Korean agriculture experienced considerable structural changes as a consequence of economic development and policy reform in the process of trade liberalisation. In the early 1960's, agricultural shares of Gross Domestic Product (GDP) and total employment accounted for almost 50 and 60 percent respectively. It took only around four decades for these shares to fall to the current levels of 4.5 and 8 percent.

⁴ Japan was given a six year grace period before tariffication and allowed foreign rice imports amounting to 4 to 8 percent of its domestic consumption to be imported for six years; on the other hand, Korea was given a ten-year grace period and allowed 1 percent to 4 percent of its domestic consumption to be imported for ten years.

Introduction

the WTO. His action – besides being one of the most tragic and poignant individual statements in the global trade debate – was iconic for domestic actors protesting against global economic liberalisation. Furthermore, it was symbolic of the sort of political backlash that could occur when forces threaten – or appear to threaten – vested economic interests or traditional social practices and values. When people find the social or distributional consequences of market forces not to their liking, they will often attempt to use the political process to regulate or negate those forces. FTA policy, itself a form of international trade policy, is similarly susceptible to these societal undercurrents. In other words, competition between domestic interest groups over FTA policy can precipitate outcomes that will affect international trade and, therefore, international relations. The effects of domestic interests on FTA policies can ultimately determine outcomes even in an internationally-driven process.

The WTO was the most significant advance in multilateral trade since the establishment of the GATT in 1947 and transformed the nature of global ‘trade’ agreements (Wallach and Woodall 2004: 1). Since its formal establishment in 1995, as a result of the conclusion of the UR multilateral trade negotiations, the WTO evolved beyond being the only international body to administer the rules of trading among its members. The GATT/WTO facilitated a substantial increase in trade among their members. Other embedded agreements had similarly positive effects (Goldstein *et al.*, 2007: 37). However, most WTO members in developing countries believe the agenda favours the interests of more powerful and developed countries, as it is inherently based upon a global trade regime that discriminates against their interests (Khor 2004: 158-188). Increasingly, the overwhelming majority of global civil society opposes this WTO-led liberalisation and instead seeks transformative changes in the current rules of the global economy (Solon *et al.*, 2004: 262).

While multilateralism persists as a driving force for international trade, WTO members are concurrently keeping themselves busy seeking other economic platforms through which to pursue liberalisation, for example through FTAs, as demonstrated in Table 1.1. These may be regional or cross-regional trade links⁵ (See Figure 1.1). It comes as no surprise then that we are witnessing an increasing trend whereby the

⁵ Regionalism, which is used primarily in reference to interactions among states in a particular geographic area, where there is a certain degree of economic and often organisational cohesiveness. Regionalism remains a difficult term to define due to its connotation with geographical proximity and also a sense of cultural, economic, political or organisational cohesiveness (Cohn 2002: 275-276).

Introduction

competitive liberalisation of trade exerts itself through the WTO, as well as increasingly via FTAs (Ju 2003: 2).

Korea has traditionally been a staunch supporter of multilateralism in international trade and was one of the original members of the WTO when it replaced the GATT in 1995. Korea has developed economically since joining GATT in 1967 by using an export promoting strategy⁶. Generally, this strategy was considered to be successful and largely beneficial in a multilateral trading environment⁷. It is therefore understandable that the Korean government supported GATT and the WTO system. Only in 1998, however, did a break with the past occur when Korea⁸ embarked upon an historic course of action by advancing the possibility of negotiating a series of bilateral, sub-regional, and even cross-regional trade agreements (Choi 2004c: 113).

The Asian financial crisis⁹ catalysed a re-examination of Korea's traditional foreign economic strategy because the crisis revealed that the Korean economy – shielded from foreign competition – could not cope well with aspects of the process of globalisation. Consequently, Korea embarked on an ambitious program of economic liberalisation and deregulation. A critical element of this program was overhauling the regimes for foreign trade and investment, including exploring FTAs with Korea's trade partners (Kim 2004a; Lee 2003a). In taking this initiative, the Korean government initially took a rather cautious approach (Choi 2004d: 87; Kim 2002d: 294), due to the fact that Korea had no previous experience in FTA negotiations. Here, we see how the changing nature of world trade helped motivate Korea in pursuing its first FTA (Cheong 2006; 2005a: 30-31). Korea's other motivation was the expectation of a boom in Foreign Direct Investment (FDI) in response to the improved protection of overseas investors' interests that FTAs would provide. FTAs have since emerged as a critical

⁶ From the end of the Korean War to the early 1960s, President Rhee Syng-man's main economic growth strategy (1948-1961) was an import substitution policy. However, the primary structure of Korea's current trade policy originated from the Park Jung-hee's Government. Park's government, which held the reins of power through the 1961 coup, pursued an export-driven economic growth strategy under stringent leadership.

⁷ There are four important GATT articles which outline special treatments to developing and less-developed countries; first, GATT article, XXVIII (b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; which is more focused on helping developing countries' import policies. Articles XXXVI, XXXVII and XXXVIII are intended to permit measures that promote exports of developing countries. There is also an 'Enabling Clause' based on decisions around differential and more favourable treatment, reciprocity and fuller participation in developing the Generalised System of Preferences (GSP), which in particular, helped Korea, Singapore, Taiwan and Hong Kong.

⁸ This change occurred soon after Japan adopted a similar strategy.

⁹ Prior to the crisis, regionalism in East Asia was noted for its relative lack of formal institutions; many analysts stressed the role of private businesses in fostering a regional economy (Peng 2002: 425); however, Post-crisis regionalism is being led by the state and encompasses both monetary and trade dimensions (Bowles 2002: 244).

Introduction

policy tool, both as a way to create economic opportunities for Korea and as a way of simultaneously rewarding allies such as the US, in tangible terms, cementing new economic, political and military alliances. Viewed in this light, the rise of the FTA has unquestionably been one of the most important foreign economic policy developments in Korea. Furthermore, the Korean government promoted the image of an *open trading country* – one of the long-term aims of the Korean government – backed by the establishment of FTAs.

The Roh Moo-hyun administration (in 2003) set about establishing the rule of free and fair markets as the primary goal of national economic policy. In tandem to setting such a goal was the realisation that only sustained economic reform would allow Korea to enter the ranks of developed economies. As an integral part of this reform and liberalisation policy, the Korean government established an ‘*FTA roadmap*’ in September 2003. The roadmap targets the formation of an extensive network of FTAs with major economies and emerging markets. In order to accelerate the formation of such a network, the road map calls for active, multi-front FTA initiatives with several partners in unison. Therefore, the government has been pursuing FTA talks with many trading partners simultaneously, believing it is ‘more desirable’ to seek FTAs in this way rather than one at a time. This explains why the Korean government laid down the ambitious target of pursuing FTAs with at least 15 countries by 2007.

As of July 2009, the Korean Government has sealed FTA deals with Chile (2004), Singapore (2006), the European Free Trade Association (EFTA 2006) and Asia (Association of South-East Asian Nations (ASEAN)¹⁰ 2006 and 2009). The government signed the Korea-US FTA in 2007, and agreements with India and the EU in 2009. There are also negotiations underway with Canada, Australia, New Zealand, Peru and Gulf Cooperation Council (GCC). There are also feasibility studies underway with several countries such as Japan, China, Russia and Turkey¹¹.

Furthermore, a look at the geographical distribution of Korea’s FTA partners shows that Korea’s FTA initiative is not overridingly driven by geo-political considerations. The three FTAs already concluded are with countries in South America (Chile), Asia (Singapore) and Europe (EFTA). The FTA negotiations underway cover

¹⁰ In the FTA with the ASEAN, the modalities for liberalisation of trade in goods were concluded in 2006 and liberalisation of services and investment in 2009.

¹¹ <http://www.fta.go.kr/user/index.asp> (as of 05-08-2009).

Introduction

Central America (Mexico). The joint studies for FTAs are with countries in South America (Mercosur) and Asia (China). For some partners, political considerations did come into play. But in general, Korea's FTA initiative is driven by practical economic considerations¹², taking into account such factors as the current status of bilateral economic relations, growth potential, the level of economic development of candidate countries and the expected overall impact of the FTA on domestic industry and interests.

The global surge in FTA agreements has continued unabated since the early 1990s (See table 1.1). So much so is this the case that FTAs are now a seemingly irreversible feature of today's multilateral trading system. Compared to previous decades, the number of FTAs has steadily increased over the last ten years. As of July 2005, only one WTO member, Mongolia, was not party to a regional trade agreement. Indeed, as the WTO and its predecessor, the GATT, have evolved, a myriad of FTAs have been concluded by WTO members. By 2010, it is estimated that more than 400 such agreements will be active (See Figure 1.1).

Table 1.1: World total FTA status (As of 18 July 2008)

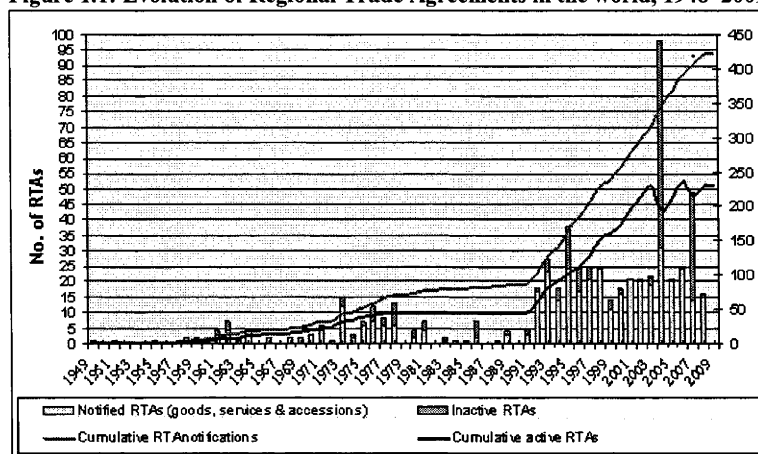
| NOTIFICATIONS OF RTAs IN FORCE TO GATT/WTO | | | |
|---|-------------------|-----------------|--------------|
| | Accessions | New RTAs | Total |
| GATT Art. XXIV (FTA) | 2 | 115 | 117 |
| GATT Art. XXIV (CU) | 6 | 7 | 13 |
| Enabling Clause | 1 | 25 | 26 |
| GATS Art. V | 3 | 52 | 55 |
| Total | 12 | 199 | 211 |

* Source: http://www.wto.org/english/tratop_e/region_e/regfac_e.htm

¹² Interview conducted with Cho Je-hong, Managing Director of the Department of FTA Trade Policy-Making, MOFAT, Seoul, October 29th, 2005; Interview conducted with Son Chan-hyun, a senior researcher at Korea's Institute for International Economic Policy (KIEP), Seoul, October 31st, October 2005.

Introduction

Figure 1.1: Evolution of Regional Trade Agreements in the world, 1948–2009



* Source: http://www.wto.org/english/tratop_e/region_e/regfac_e.htm

This enthusiasm for FTA formation has redefined the world trade landscape and represents both a fundamental challenge and a unique opportunity for the WTO. Therefore, it is not surprising that aside from a debate on whether FTAs will be ‘building’ or ‘stumbling’ blocks to greater multilateral liberalisation (Lee and Park 2005; Adams *et al.*, 2003; Krueger 1999; Lahiri 1998; Bhagwati and Panagariya 1999, 1996; Lawrence 1996, 1994; Bhagwati 1993), considerable interest has also been vested in weighing up the factors that induce either ‘trade creation or diversion’¹³.

While these debates continue without being resolved, an important question that remains for us to ask is; what theories explain the underlying factors that cause countries to sign FTAs? A short answer might be; either exogenous or endogenous explanations.

Many studies have attempted to analyse the conditions influencing whether states choose multilateral or bilateral strategies. There is considerable evidence that the creation of FTAs is guided by strategic interaction (Mansfield 1998; Fernandez and Portes 1998; Baldwin 1997; Pomfret 1997; Yarbrough and Yarbrough: 1992). There are three mainstream perspectives of the causes of FTAs: frustration with the WTO

¹³ The conceptualisation of trade creation and diversion was first looked at in detail by Viner’s (1950) study of ‘the custom union issue.’ He distinguished between trade creation, whereby countries lowering their tariffs shifted away from a reliance on high-cost domestic industry, to imports from the lower cost partner countries; and trade diversion, where low cost production in the rest of the world is displaced by higher cost production in the partner country. For discussion of trade creation and diversion, see Krueger’s (1999) analysis of ‘trade creation and trade diversion under North American Free Trade Agreement (NAFTA).’

Introduction

impasse¹⁴, the domino theory and the bandwagon – or contagion – effect¹⁵. These explanations are all notably related to exogenous factors. While endogenous factors have been somewhat underestimated, Ravenhill (2008: 130), Jiang (2008: 187–189), Yoshimatsu (2005) and Mansfield and Reinhardt (2003: 858) argue that domestic conditions are an important influence on a state's decision to enter FTAs. It was found that democracies are more likely to join such agreements than autocracies, economically smaller states are generally more likely to do so than their larger counterparts, and economic downturns tend to promote FTA formation. Another important underlying dynamic for pursuing FTAs, drawn from an endogenous perspective, is that trade liberalisation – such as FTA policy – creates 'winners' and 'losers' who will either support or oppose FTAs, depending on how their interests are likely to be affected. For example, companies located in non-member countries find that FTAs place them at a competitive disadvantage. This provides an incentive to lobby their governments into signing an FTA (for example the KEIDAREN's role in persuading the Japanese government to negotiate a Japan–Mexico FTA (Yoshimatsu: 2005)), where such possibilities exist. These situations demonstrate that domestic factors can be as persuasive as exogenous factors in FTA policy debates.

These findings highlight the obvious, but importantly, they point out that FTAs can be influenced by various factors. Even though no single theoretical approach or explanation will suffice to fully explain their proliferation (Mansfield and Reinhardt 2003: 858), the one accord throughout this is the popularity that FTAs will most likely continue to enjoy. Korea is no exception to this consensus.

¹⁴ Since the Seattle (1999), Doha (2001) and Cancun (2003) ministerial meetings have been in impasse, the Hong Kong Declaration, the outcome of the WTO's 2005 ministerial meeting, only managed to provide avenues on how to surmount obstacles that have blocked progress in agriculture, manufacturing, and services since the Doha Round began in late 2001. There were no real outcomes by way of agreements. However, due to the collapse of the WTO mini-ministerial on July 30th, 2008, recriminations are again flying thick. The US is blaming India and China, particularly India, for adopting a rigid stance on Special Safeguard Mechanisms (SSM) while the developing countries are accusing the US of refusing to budge from its stance on agricultural subsidies, SSM, special products and Nama, among others.

¹⁵ The domino theory introduced by Baldwin (1993) highlights idiosyncratic incidents where FTAs triggered a multiplier effect that knocked down bilateral import barriers like a row of dominos. In particular, the announcement of the US-Mexico FTA created powerful forces for inclusion that led to North American Free Trade Agreement (NAFTA) (Baldwin 1997: 877-884). Bandwagoning or contagion effects exist where the new interest in FTA was primarily a defensive response to development elsewhere.

Research Questions

There is little doubt that an important motivation in Korea's adoption of an FTA policy framework was the changing nature of world trade, but what about domestic factors? To put it another way, how do societal factors influence these policy decisions?

This thesis explores how domestic actors may have affected the outcome of FTA negotiations. It recognises that FTA negotiations are essentially two-level games: governments are negotiating simultaneously with a foreign partner and with various domestic interests. Accordingly, the actual outcome of negotiations may be substantially determined by the foreign partner— although this will clearly vary according to the specific bargaining assets and skills the partner brings to the table. The primary focus here, however, is not on the bargaining between the Korean government and foreign partners but on the domestic politics of FTA negotiation in Korea.

If one looks across the spectrum of Korean FTAs, notable differences become apparent between the agreements. If one compares the Korea-EFTA FTA, the Korea-ASEAN FTA and the Korea-Singapore FTA with the three cases examined in detail in this thesis (Chile, Japan and US FTAs), specific differences are apparent.

First, while some FTAs are concluded within the expected timeframe, others have far exceeded these timeframes. These differences in outcomes have occurred despite the negotiations taking place within the same international and domestic political contexts. What explains these differences?

While the development of FTAs with Singapore, ASEAN and the EFTA were relatively straightforward – within the expected timeframes of the Korean government – FTA negotiations with other countries have presented sometimes insurmountable difficulties. Some of these negotiations have evoked a serious and ongoing FTA conundrum, especially Chile, Japan and, more recently, the US. In the case of the Korea-Chile FTA, negotiations were drawn out to almost five years, while the Korea-Japan FTA has remained in virtual deadlock since the commencement of official government negotiations in late 2003 (despite support from the government ministry with overall responsibility for foreign trade policy (MOFAT)). Furthermore, although the Korea-US FTA talks that began in 2006 have concluded, the FTA remains subject to an ongoing and intense debate preceding possible domestic ratification (despite a government majority in the NA). These three FTAs present an important puzzle: How is

Introduction

this variance in FTA policy outcome generated in a context that nonetheless enabled such agreements as the Korea-Singapore, Korea-EFTA and Korea-Mexico FTA to be concluded successfully? To what extent has this variance in outcomes been determined by domestic politics within Korea?

Second, the outcome of these FTAs differs greatly in the sense that some are far closer to what the parties proposed in their original negotiations while others depart dramatically from the parties' opening bargaining stances. For example, the Korea-Chile FTA was originally planned to include the exportation of apples, pears and grapes to Korea, and Chile would reciprocate and accept Korean demands for opening up its financial sector. The end result saw both demands excluded from the final agreement. Another good example would be that of the Korea-US FTA. This agreement was the most comprehensive agreement of all FTAs entered into by a Korean government. The final agreement excluded many issues originally proposed by the two parties, including some trade in agricultural goods (including rice), pharmaceutical reform, Investor-State Dispute Settlement (ISD) and anti-trust law, amongst other things. What was it that led to these items being excluded? Were domestic interests responsible for changing the composition of the final agreements reached with foreign partners or were international factors the reason?

Third, who initiated these FTAs? A brief glance would probably result in the assumption that the Korean government (or the partner government) initiated each FTA. While it is certainly true for most FTAs that the Korean government has agreed to, this is not the full story. There are some FTAs that do not fit these criteria. It is arguable that the Korea-Japan and Korea-US FTAs saw the involvement of domestic groups outside of the government that proposed their initiation.

Finally, who were the key actors? The FTAs that are not included in the three case studies contained herein can quite comfortably be described as government dominated, which means to say that the government was the key player at the negotiation table and was able to decide on its position without having to pay undue heed to domestic or not-state stakeholders. This is certainly not the situation for our case studies. While the fact is that it was the government at the negotiation table in all FTAs, it would be similarly true to state that, for our case studies, the government was under duress to represent key domestic stakeholders for a variety of reasons. Lead among

Introduction

these stakeholders was the agricultural coalition and the FKI led coalition.

Much of the literature on foreign economic policy argues that both international and statist approaches do not allow for domestic societal influences to have any significant impact on foreign economic policies such as FTAs (for further details see Chapter two). In other words, the systemic approach sets the parameters for the domestic political context yet treats it as a ‘black box’ of the state and society, while the statist approach emphasises the ability of policymakers to advance the ‘national interest’ (Ikenberry *et al.*, 1988: 10). Neither approach can satisfactorily analyse or explain how domestic societal interests permeate or influence the processes and outcomes of trade policy. In this thesis we seek to go beyond these factors to provide an in-depth examination of the domestic factors that have affected the negotiation of Korea’s FTAs.

This central research question creates the need to establish the environment in which Korea’s FTAs are being negotiated, and therefore some further questions are explored: How does Korea’s contextual setting affect its FTA policy formulation? How do systemic, statist and societal approaches deal with attempt to explain Korea’s FTAs? In order to evaluate the societal approach in detail we need to answer some further questions, such as; who are the key domestic stakeholders and why did they adopt their respective positions? Most pertinently, did they influence policy outcome? And if so, under what conditions are domestic societal groups’ interests translated into policy outcomes?

We focus in particular on the role of domestic interest groups (stakeholders) in FTA policy responses. More specifically, I argue that coalitional interest groups influence FTA policy process (and outcomes) according to their *varying degrees of capacity* (see Chapter Two). In particular, the Korea–Chile, Korea–Japan and Korea–US FTA cases provide good examples of trade policy that developed out of a domestic political struggle mainly among economic interests. In this respect, to understand the outcomes of Korea’s negotiation of FTAs one must consider it in terms of the domestic arena.

Purpose of this study

The role of interest groups in Korean international trade policies has suffered from a lack of recognition in discussions of trade politics. Thus, this thesis critically reviews the societal approach against both systemic and statist approaches (see Chapter

Introduction

One).

This study then elucidates Korea's FTA context. This is critical in understanding how domestic stakeholders influence FTA policy outcomes. Each of the three Korean FTA cases under examination (namely Chile, Japan and the US) will identify both supporter and opponent coalition groups attempting to influence policy outcomes to suit particular interests. A further aim then is to investigate the reasons why such groups adopt certain positions and to evaluate the means by which they articulate their interests into FTA policies.

Analytical Framework

Although the current literature is sufficient in explaining international contexts and domestic political institutions, it does not adequately consider interest articulation structures and fails to identify the specific communication structures available for the expression of political demands. Channels of access are dependent upon the structures of political and social communication available in a society. Therefore, the nature of these access channels for interest group articulation in a given society is of great importance in determining the range and effectiveness of group demands (Almond and Powell 1966: 81). This has been commented on by Duverger (1972: 121–125) who presents the argument that interest groups act on two different levels; direct pressure on government organisations and indirect pressure on the populace. Similarly, Almond and Powell (1966) also categorise interest group articulation structures (in particular, channels and means of access); formal and institutional channels, and physical channels such as public demonstration and violence. Finally, Park (2001: 77–80) separates legal approaches (usually using political institutions) from illegal approaches (such as violent demonstrations). Although their interpretations of the details of channels differ slightly, they do share a common denominator, which is to influence government policies through political institutions and/or informal channels¹⁶.

Drawing from their common understanding, I adopt these two channels and break them down further into three key structures of channels of influence: Public Influence (PI), Level of Proximity to Politicians and Policy Makers (PPPM) and, finally,

¹⁶ Some studies (Bae 2002, 2001; Lee 1996; Lee 1990; Sin 1987) have been conducted that relate to the activities of Korean interest groups. Even though most of their work provides some general knowledge of interest group activities in Korea, there are some limitations in explaining the specific channels of articulation.

Introduction

the ability to Influence Political Institutions (IPI); (see Chapter Two).

The extent to which groups utilise these various channels depends on their Organisational Power. For example, when groups (such as the FKI) easily overcome their collective action problems, their access to more formal channels is amplified (such as IPI) while those who are less easily able to overcome their collective action problem (such as agricultural collectives) have more success with informal channels, such as PI. Furthermore, groups' OP can determine how effective their use of specific channels can be. This can be translated into an overall effectiveness ranking of channels of influence depending on the type of OP a group has. These three channels of influence, PI, PPPM, IPI, are used to analyse how interest coalitions in Korea strategically articulate their demands and produce policy outcomes which suit their preferences. In view of the interest groups affecting the FTA cases in this thesis, I later utilise this framework in order to analyse interest articulation structures in Korea's FTA political arena.

There are correlations that can be drawn between certain interest groups and the methods, or channels, they utilise to take part in FTA policy discourse (Details in Chapter Two). Industry associations, for example, have greater access to formal institutional channels such as political parties, legislatures, ministries, and cabinets and are therefore more likely to utilise these. Notwithstanding the direct pressure they exert on these political institutions, such interest groups also commonly use informal channels of communication in the form of the media.

On the other hand, agricultural coalitions and labour unions are more prominently associated with informal channels, such as public demonstrations and protests¹⁷. This indirect pressure on the populace may produce a public attitude that will, in turn, influence government leaders and politicians, who are always attentive to public opinion (Duverger 1972: 121). In every regime, political power is concerned with public opinion. This is especially true of democracies where those in power must regularly face the challenge of an election and the verdict of the voters. Consequently, by acting to influence public opinion through informal channels, interest groups can indirectly influence formal political institutions. This is especially the case for National

¹⁷ Interest groups do so in two ways; either through propaganda or by violence (Duverger 1972: 123). Some forms of violence develop as part of the normal activity of interest groups in their efforts to impress, influence and persuade public opinion and, at the same time, force the government to yield to their demands by creating intolerable situations (ibid: 125). Violence (or physical demonstration) thereby is a means of access available to any group wishing to articulate their interests in society.

Introduction

Assembly (NA) representatives in rural areas.

Methodology

This research investigates the critical role of domestic interest groups in three selected case studies; Korea's FTAs with Chile, Japan and the United States (hereafter referred to as US). Compared to other Korean FTA cases, such as those with Singapore and the EFTA¹⁸, these cases feature the embedded dynamic domestic activities that provide and promote an in-depth understanding of Korea's trade policies. In addition, this thesis primarily focuses on developing an approach that facilitates a detailed explanation and understanding of the specificities of Korea's FTA policies and the influence domestic actors have on their outcomes (Korea's FTA policy)¹⁹. The three case studies will enable comparison across the spectrum of competing interest groups within the trade policy decision-making process.

This research will also analyse how interest groups have responded to the development of FTA processes and outcomes. Empirical evidence and interpretations of interest coalitions' influences will be sought through an analysis of primary and secondary sources such as government FTA resources (publications and policy documents), newspapers, monthly magazines, journals and books. Newspapers are a very useful tool for understanding the process of each FTA, the participants' activities, opinions and the particular circumstances at the time. It is true that, although an almost endless, rich supply of documents and primary materials relating to FTA policies is available, some sources lack sufficient credibility in regard to particular decision-making events.

Secondary sources are supplemented by a total of around 50 (in Appendix I) interviews, which were conducted during three fieldwork visits to Korea. The interviews involved bureaucrats, academics, researchers, politicians, as well as various civil and interest groups. Interviews with key individuals within interest groups are a

¹⁸ As these two cases evoked little or no domestic opposition, the government was able to pass the legislation without having to renegotiate any of the set outcomes.

¹⁹ Some critics argue that a single case study is of very limited value given that it is neither directly comparable nor can we generalise from its result (Ebbinghaus 2003: 14). Within a single case study, however defined, multiple observations of theoretically relevant variables normally can be made. Selecting one case of a phenomenon need not mean making only one theoretically relevant observation (Odell 2001: 162).

Introduction

crucial means of accessing reliable and meaningful conclusions, beyond those based solely on an analysis of secondary material.

The Significance of This Study

There have been various studies relating to FTA policy in Korea. Most of these studies have been conducted by economists and have focused on economic effects (Cheong 2004a, 2003; Kim 2003a; Schott and Choi 2001). While they give a general understanding of economic benefits and future possibilities for Korea's regional based FTAs, given their strictly economic focus, they do not attempt to explain the key domestic factors involved. Recently, however, a few studies were conducted which focused on role of domestic interest groups in FTAs (Ahn 2003a; Choi 2001; Yoo 2002). These are devoted to thick descriptions of the role of interest groups in Korea's economy and politics. In general, this still leaves very little known about the critical role played by interest groups in the FTA policy process. Equally important is the question of how they systematically articulate their interests in FTA policy outcomes through the various channels at their disposal.

In addressing this important role of interest coalitions in Korea's FTAs, this thesis contributes towards the study of international political economy. It focuses more on the *demand side* of trade policy in Korea than most literature on the subject, which generally centres more on the study of statist determinants of policy decisions and outcomes. While the trade politics literature has generally avoided focusing on how domestic coalitions articulate their interests in a country's trade policies²⁰, this study has placed greater emphasis on how societal preferences affect such policies. There has been little systematic research conducted at this level of detail, which explains how the political economy of Korea's FTA policymaking is affected by domestic interest groups. In this regard, the theoretical contribution of this thesis helps the societal approach towards a more comprehensive understanding of the role of domestic interest groups.

By focusing on the effects of interest groups on FTA policy outcomes using formal and informal channels of influence (in particular three channels of influence),

²⁰ In the US, the involvement of interest groups in public and foreign economic policy has been studied in more detail than in East Asia (detailed literature on this is discussed in Theory Chapter).

Introduction

this dissertation addresses the important but relatively overlooked issue of Korean interest groups in the field of international trade. Moreover, while most studies of interest groups in trade politics focuses on the US, this dissertation provides some insight into the importance of interest groups in a particular developing country that can be applied to other countries of a similar economic and social profile.

An overview of the Dissertation

This thesis consists of seven chapters. In the next chapter, I will provide a review of the literature within the study of international political economy, especially within the field of international trade, which could be used to explain the variance in Korea's FTA policies. I will then sketch out my own arguments. In chapter three, I map out Korea's FTA context in greater detail and the three key structures of channels of influence and organisational power that societal groups have. Finally, the three empirical chapters (Chapters Three, Four and Five) will analyse and evaluate the three FTA cases in terms of who the key domestic stakeholders were, their rationales, channels of influence and the resultant variance in FTA policy outcomes. The central research question will then be brought together with the case studies in the concluding chapter.

Chapter One: Literature Review and Theory

Introduction

In constructing explanations of countries' foreign economic policies, scholars have employed a diverse range of analytical and theoretical approaches (Ikenberry *et al.*, 1988: 1). Accordingly, a number of categorisations for the various theories have been put forth (Mundo 1999; Grossman and Helpman 1995; Verdier 1994; Cowhey 1990; Ikenberry *et al.*, 1988).¹ Perhaps the most widely cited is that of Ikenberry *et al.*, (1988), who developed a common theoretical framework for explaining US foreign economic policy based on the interplay of three explanatory approaches: system-centered, state-centered and society-centred explanations. Within such a diverse body of literature, it is hardly surprising to find numerous points of controversy as well as areas of shared agreement (Cohen 1990: 267). As Odell notes, each of the perspectives proves to have some theoretical value, yet none has managed to dominate the field (1990: 140). Ikenberry *et al.*, (1988) however, highlighted the need to go beyond more conventional system-centered explanations and look within the "black box" of the state and society, which has received some considerable academic debate over the years.

In sum, it is a prerequisite for this chapter to examine the three prominent theories and to critique them before selecting what this thesis regards as the most useful approach to explaining Korea's FTA policy. Before looking at each of the three sets of approaches, it would be first better to identify their most crucial tenets. First, the international approach emphasises that a nation's foreign trade policy is fundamentally derived from the nature of the international system. As such, the formulation of policy derives more or less rationally from the constraints that the international system imposes. Second, the statist approach emphasises the autonomous role of the state in pursuing foreign economic policy. The societal approach, on the other hand, attributes policies to variations in demands made by interest groups with its primary tenet viewing policy as the outcome of a competitive struggle among affected groups for influence over particular policy decisions.

¹ On the other hand, others like Odell (1990) and Rohrlach (1987) have employed a different analysis; the realpolitik analysis, behavioural analysis and the economic culture analysis or the market perspective.

Systemic Approaches

Systemic approaches conceive of an “outside-in” dimension that gives precedence to the external pressures and challenges faced by nation-states in conducting foreign policies (Sorenson 2001: 9–10). Such approaches attribute trade policy to the demands or opportunities generated within the international political economy and prevailing distributions of power in the international system; the norms and principles embedded in international regimes; or the imperatives of international economic structures. These have all been invoked as systemic explanations of foreign economic policy. From this perspective, some argue that systemic theories deserve a certain primacy over other levels of analysis with the analysis of foreign economic policy reducible to an examination of the international system. Succinctly stated, scholars within this tradition assume states to display a unitary character with their policies exogenously derived (Ikenberry *et al.*, 1988: 4; Gourevitch 1978: 904). Accordingly, this systemic approach understands the international structure as an independent variable in explaining foreign economic policy such as FTAs.

Interdependence

The nature of foreign economic policy process changes as the world economy evolves. Changing circumstances thus require new arrangements of people, resources, institutions and politics (Gourevitch 1978: 892). National economies have become enmeshed in a web of economic interdependence from which they cannot easily escape, and from which they derive great economic benefits (Gilpin 1975: 39). The term interdependence was coined in the late 1960s to describe the growing interconnectedness of national economies. The overall effect is weakening to national autonomy.

According to the proponents of the interdependence approach, states are depicted as losing control over important issue areas, especially economic ones. Instead of explaining foreign policy, which is implicitly state-centred, the emphasis is on explaining international regimes and the international system and how countries differ in these issue areas according to their “sensitivity” and “vulnerability” in various domains (Gourevitch 1978; Gilpin 1975). Nye and Keohane (1989) call this model “complex interdependence.” Complex interdependence alters domestic structures

Chapter One

because it entails shifts in power away from certain governmental institutions toward other ones or even shifts outside the government to private actors, or international actors (Gourevitch 1978: 893). A similar perspective suggested by Gilpin (1975: 40) is that the rise of the welfare state and the increasing sensitivity of national governments to the rising economic expectations of their societies have made them dependent upon the benefits provided by a liberal world-economic system.

The international political economy thereby generates pressures that, in principle, encourage states to pursue policies that would in some way compensate for the uncertainties, instability, and systemic risks that interdependence creates (Weiss 2003: 27). Other interdependence analysts propose a different mix of politics and economics; Keohane and Nye (1977) argue that economic changes do not negate politics but create a new type of politics. Their alternative conception of interdependence entails a combination of international relations; realism and liberal international political economy. What interdependence does is to create new sources of power; it produces networks of mutual asymmetric dependence (Crane *et al.*, 1997: 14). The economic interdependence of countries is simply a given; the natural consequence of market-driven specialisation within a global division of labour. The nature of the strategic setting at the international level becomes the ultimate determinant of policy choices at the national level (Cohen 1990: 276). This approach focuses on the rise of interdependence as a major factor in the increase in FTAs. As economic interdependence increases, states have turned to economic liberalisation to promote their exports and attract foreign investment. However, the multilateral GATT and WTO based trade regime has encountered numerous problems² and FTAs have therefore become established as an alternative route for promoting trade linkages.

Following this argument, Korea has proved to be no exception in “obeying” such international trends. It can be argued that Korea’s change in foreign economic policy and the promotion of FTAs can be traced to two main systemic or international factors.

Foremost, the Asian financial crisis, which broke out in the summer of 1997, brought about major economic and political changes in much of Asia. This crisis caused

² The failure of the Seattle Trade Ministerial in December 1999 to launch a new round of multilateral trade negotiations dealt a major blow to the WTO. The Seattle meetings exposed significant policy differences among the WTO member countries as well as shortcomings in the way the WTO conducts its business and interacts with other international and non-governmental organisations.

Chapter One

the Korean government to shift its focus away from WTO multilateralism towards policies favouring bilateralism and regionalism³. Moreover, in this context, the government did not want to be left out in the growing trend towards FTAs. Second, this change in emphasis was further accelerated by the failure of the WTO Ministerial Conference in Seattle in December 1999 to launch a new round of global trade negotiations. Given the deadlock in the international system and the ravages of the financial meltdown, the Korean government acknowledged FTAs as an alternative route for pursuing economic stability⁴. Accordingly, the above demonstrates that the international dimension has been an important influence in compelling Korea to join the bilateral FTA league.

Limitations

Notwithstanding the salience of the international approach, it does display some limitations in adequately explaining the variance that exists in these case studies. Based on the fundamental premise of game theory, the international approach conceives of actors to be purely unitary and rational. Whereas this simplification generates useful insights into the subject, it fails to account for the fact that actors such as the state and their actions are not wholly reducible to the dictates of the international system. Thus, it may be asserted that interdependence derives from state policy, not the other way around; that is, it exists because states allow it to exist (Gourevitch 1978: 894). Consequently, the idea that the state is like an opaque billiard ball which reacts to the pressures of the international environment necessitates an artificial degree of simplification (Andrews 1975: 521). What is more, in treating the state as unitary, it fails to open up the “black box” of domestic politics. Accordingly, it does not account for the role of different parts of the state, interest groups and domestic political institutions (Milner 1997a; Ikenberry *et al.*, 1988: 243). Approaches that derive policy wholly from the exigencies of the system effectively ignore the rich fibres of domestic structures and can, therefore, do little more than explain broad policy characteristics under certain historical episodes; failing to penetrate the complexities of the decision-making process at the domestic level (Hocking and McGuire 2004: 1–17).

³ Interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005;

⁴ Interview conducted with Choi Kyoung-lim, director of FTA policy Bureau in MOFAT, Seoul, September 29th, 2006.

⁴ Ibid.

Chapter One

Having established this, the international approach is therefore inadequate for answering the more specific questions posed in this thesis. For example, in applying the latter approach to the Korean context, it is not concerned with the attitudes of domestic political actors to trade agreements. Accordingly, it does not explain why some FTAs (Korea–Singapore and Korea–EFTA) were signed with little difficulty while others (Korea–Chile, Korea–Japan and Korea–USA) were anything but. To explain this variance, we need another approach to unravel this puzzle. Central to the concerns of this research is the domestic approach, with particular emphasis on the analysis of actors within state and society. Both approaches are examined, in turn, below.

Statist Approaches

The ‘state’ almost vanished in the 1960s and 70s from the academic workbook as theorists strived for greater parsimony in the social sciences. In this vein, both international and society-centred approaches relegated the state to a passive actor. However, since the 1980s there has been a re-evaluation of the role of the state by re-examining its role in formulating and executing policy strategies (Verdier 1998; Simmons 1994; Skocpol 1985; Krasner 1984). State-centric approaches therefore sought to retain the integrity of the state as an analytical construct and to reassert its autonomy⁵ (Seabrooke 2002: 6). Accordingly, one of the central concepts in the literature on theories of the state has been that of “*state autonomy*.” Autonomy in this context refers to the assumption that states can and do act independently from the pressures of interest groups in formulating and implementing policy (Oatley 2004: 109). It is in the above academic landscape that the discussion over state autonomy has emerged as a significant issue in the field of political economy and, more specifically, in our understanding of foreign economic policymaking. Thus, in several contributions to the above field, it has been persuasively asserted that the state should be understood as possessing the capability to pursue its own interests and that these may be distinct from societal interests (Skocpol 1985; Nordlinger 1981; Krasner 1978).

⁵ The state and the government can be used interchangeably and the relationship between the two is very complex. For the purposes of my research, the government is treated as being synonymous with the state. However, it must be made clear that I am not referring to the government in a narrow sense, in terms of the ruling party, but rather I conceptualise the government in a broader sense as constituting three components: judiciary, legislature and the executive.

Chapter One

The key question, therefore, in explaining policy revolves around whether the state should be regarded as an actor in its own right with its own specific interests, and not one whose interests will be subordinated to other interests. In short, it is reasonable to contend that the state *might* adopt positions and executes policy strategies such as FTAs, which are not merely reflection of those of societal actors.

Issue of state autonomy

The basis for much of the literature on state autonomy derives from Max Weber's assumptions. He conceived of states as associations claiming control over territories and the people in them and, as such, he postulated that the state may pursue goals and plans that do not reflect the demands of powerful groups (1978). More recently, Nordlinger, in the early 1980s, emerged as one of the most important proponents of state autonomy, and systematically developed work on the issue. Nordlinger's aim was to account for public policy by asking how democratic states frequently act autonomously in translating their own preferences into authoritative actions even when they diverge from those held by the politically weightiest groups in civil society (1981: 203). In other words, state centric theorists such as Nordlinger argued that policy is not primarily a reaction to pressure from interested social groups. Instead, they suggest that the state should be seen as far more autonomous from societal pressure than imagined in pluralist approaches. In their view, the state has interests and policy preferences of its own, as well as the capacity to impose these preferences against societal resistance (Skocpol 1985; Nordlinger 1981; Krasner 1978). Notwithstanding the latter, it is important to realise that state autonomy may – but does not necessarily – mean that the state's interests are not the same as some societal interests. They can and do overlap. However, the key issue is that the state is capable of deciding for itself which preferences it will pursue.

Nordlinger identified three levels of autonomy with the foremost existing when the state effectively persuades the people of the desirability of its policy preferences. At the lower range of autonomy, the state's room for manoeuvre is dependent on whether the best endowed societal actors disagree or when state and society interests coincide (Nordlinger 1981: 74-143). In view of that, autonomy does not possess a fixed quality,

Chapter One

but rather its degree varies according to a number of factors, especially the extent to which opinion among leading societal actors is divided. This means that it is wrong to view state autonomy in absolutist terms – i.e. that the state always acts unchecked. Instead, there is a need to regard autonomy as relative in that it varies according to the strength of society. Consequently, the state is not always dominant and independent. Instead it is *potentially* autonomous. The latter is something that is particularly expounded upon by Skocpol (1985: 5-9), who bemoans the society-centric approach's oversight of the potential for autonomy. Rather than viewing the state as an accumulation of fragmentary pieces of bargaining practice in a political process dominated by powerful interest groups (in a pluralist sense), she regards it as an actor possessing bureaucratic capacities to enforce a coherent and strategic pact of policies, achieving intended goals of development. The conceptualisation of the state will be further detailed in the next paragraph, but here the case is put forward that the state should be viewed as a separate actor. In a similar vein, Krasner is another key proponent of state autonomy and argues that the objectives of the state are not a simple aggregation of private interests. He goes further to argue that each state will pursue foreign economic policies that reflect domestic economic needs and external political ambitions without much concern for domestic interests groups (Krasner 1978).

The three authors differ in their focus of support for the thesis of state autonomy. While Krasner argues that the state is predominant, Skocpol focuses instead more on its potential (for domination). Nordlinger's basic objective, on the other hand, is to demonstrate that the preferences of the state are at least as important as those of civil society in accounting for what the democratic state does and does not do. Whatever the divergences in emphasis, the aforementioned authors establish the argument that the state should be at least acknowledged as an actor in its own right.

Within the above context, the Korean state has conventionally been regarded by scholars as having a high degree of autonomy relative to society in pursuing its policies. Moreover, this has been linked with literature on the developmental state, which asserts that the state is the primary actor in formulating and executing economic goals⁶. FTAs, at least in the agenda-setting phase, have proven to be no exception. According to the

⁶ Developmental Capitalism (DC) is exemplified by Japan, S. Korea, Taiwan, Singapore and most other East Asian countries. In economies characterised by the DC, the state plays a central role in coordinating economic activities (Dicken 2003).

Chapter One

statist approach, it was the Korean government that not only acknowledged the importance of FTAs as an important strategic implement for future economic growth but it also chose Chile as its first partner. Again, using the statist approach, the start of official negotiations vis-à-vis the Korea-US FTA demonstrated the government's autonomy in formulating policy still further for it chose to go ahead regardless of the domestic societal debate.

Conceptualisation of the state

Having established the importance of considering the state as an actor, there is also a need to conceptualise the state for analytical purposes. There are two main perspectives: the unitary model and the bureaucratic politics model. The difference between the two is important because it affects our understanding of how the state formulates and executes policy. First, the unitary actor model conceives of the state as a *unified* actor with state officials with common interests operating in a unitary way to achieve specific goals for the state. The argument draws upon explanations involving a rational actor, and promotes a realist type reasoning about the state, in which the state becomes a unitary actor (Gourevitch 1978: 903). On the other hand, the bureaucratic politics model of policy making focuses on the interactions among executive branch agencies – interactions that determine policy outcomes (Allison and Halperin 1972; Allison 1971). The argument contends that the state is composed of bureaucracies, and that key decision-makers are largely limited in their making of rational and deliberate decisions by the structure of bureaucratic organisations, which have different responsibilities and powers according to policy areas (Smith 1980: 27). Each bureaucracy tends to assume its own parochial interests and, therefore, foreign economic policy, for example, is understood not as the rational choice of a unitary government but the product of compromise and bargaining between key agencies. From this point of view, there is a “tug of war” between different parts of the state that contradicts the unitary model (White 1986: 64-70). While the bureaucratic politics model does not necessarily exclude society (as it can be argued that the state is comprised of different factions, which represent or at least support particular societal interests), it is also the case that the state can be conceived of as a bureaucracy with its own interests to pursue without being influenced by societal actors.

Moving on, it is necessary to insert the Korean case within the debate over the

Chapter One

conceptualisation of the state. Accordingly, Korea is not a unitary state as described above, but it corresponds more to the bureaucratic model, particularly in the context of FTA policy. As already explained, the latter line of thought scrutinises the internal workings of the state itself, debunking the notion that it is a unitary, 'rational' actor. Instead, it points to bureaucratic infighting and turf battles between different ministries (Moon and Prasad 1994: 361-370). As far as Korea is concerned, the evidence⁷ goes to show that the various Ministries within the government compete with one another for jurisdictional control and influence over FTA issues. Not only this, but they have extensive long-term relationships with their respective industries. For example, the Ministry of Agriculture and Forestry (MOAF) has been a strong opponent of FTAs and has worked closely with agricultural interest groups, especially in the Korean-Chile case. Conversely, the Ministry of Foreign Affairs and Trades (MOFAT) is a staunch proponent of FTA policy and has cooperated closely with interest groups such as the FKI.

Limitations

While a state-centred approach directs our attention to the important role that states play in shaping foreign economic policy, it does have some notable limitations. For one, states are not necessarily autonomous of all societal interests and policies are often shaped by the constellation of societal groups upon which the government's power rests. To expand on this further, the domestic dimension of autonomy does not mean that all of the initiatives come from the government; nor does it necessarily imply an immobile society or a permanent arm twisting from government to society. Therefore, to focus on state interests alone is inadequate without considering societal and other constraints that shape the policy process. While this does not detract from the need to at least consider the state as an actor in its own right, its significance in determining and executing policy is dependent on its degree of autonomy. The fact that the state is not always prevalent is something recognised by some theorists (Nordlinger, Skocpol) of state autonomy themselves. Autonomy, furthermore, is not the sole variable of a state's ability to formulate and execute policy. There is also a need to take into account other

⁷ Interview conducted with Park Myung-jae, Minister of Public Administration and Security (MOPAS), Seoul, March 3rd, 2007. He had more latitude for independence due to Roh Moo-hyun's administration finishing at the end of 2007.

Chapter One

variables such as state capacity (the state may have considerable autonomy but not the capacity to carry out certain policies)⁸ and different policy areas. For example, the latter is particularly true of FTAs, which have important distributional consequences for society that serve to mobilise affected interest groups. More recent literature on the subject has sought to develop a state–society framework showing how the state is embedded within society that creates a kind of synthesis between the two actors (Weiss 1998; Evans 1995, 1985; Katzenstein 1978a). Therefore, it is misleading to see the argument as state *versus* society.

To conclude, whether the state possesses and pursues its own independent interests or not, it does not mean that they automatically correlate with the state's desired trade policy outcome. This is central to the puzzle of this thesis. In Korea's case, the statist approaches (like the systemic approach) do not provide a clear answer to our main research question. If the statist approach were valid, one would perhaps infer that the Korean state should have had fewer difficulties in successfully concluding FTAs with more countries. However, the fact remains that the government has encountered substantial problems.

First, it has only managed to conclude three FTAs despite its prediction that it would have signed more by now⁹. Second, as is discussed in the empirical chapters in detail, the content of the signed FTAs do not fully reflect the government's initial proposals. This variance tends to suggest that interest groups have influenced the content by managing to force certain concessions¹⁰. Third, concerning consistency, one observes a large degree of divergence in the time frames of different FTAs. For example, the Korea–Singapore FTA only took one year from the initial negotiations until its

⁸ In talking about capacity, Skocpol highlights that autonomy on its own is not enough to ensure the state's predominance over policymaking and outcomes, but that the state must also possess the necessary capacity. There is contention over how it should be defined. For Migdal (1988), a state's capacity is related to its infiltration of society, the regulation of social relationships, the gathering of resources such as taxes, and the utilisation of these resources. Huber (1995: 167) broadens the scope of this to include a wider array of functions, such as the enforcement of laws, the promotion of economic growth, obtaining compliance from the population, and the distribution of societal resources. In a similar manner, Grindle (1996: 3-8) weighs a state's proficiency by its performance of a number of institutional, technical, administrative and political functions to a high degree of efficiency and responsiveness. It is clear from this discussion is that there are different levels of state capacities. Creating and implementing strategies with industrial objectives demands a different style and degree of state capacity. Furthermore, state capacities are dynamic: they can change from time to time and from country to country. In a very general formulation, a capable state would be able to govern itself and then govern the society.

⁹ This prediction is based on the interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, on October 10th, 2005. He had envisaged the successful completion of more FTAs to date; for example with Japan and Mexico.

¹⁰ Of course one must also attribute concessions to the needs of negotiating with the partner country. This is the case, for example, in the Korea–Chile FTA when the Korean government was forced to concede in restricting its export of cars and electronic goods. On the other hand, important concessions also stem from domestic resistance.

Chapter One

ratification. Similarly, the Korea-EFTA only took eight months. On the other hand, the Korea-Chile FTA took more than four and a half years. The long time scale of the latter is particularly important for it shows the limitations on the Korean government in pushing through FTA policy in the face of societal constraints. If the Korean government enjoyed high autonomy and capacity one would expect consistently short time frames across the empirical cases. Furthermore, the Korea-Chile FTA is not the only example, the Korea-Japan FTA has not reached a conclusion despite the elapse of nearly six years. Consequently, in order to explain the variance in the latter three FTAs, chosen as my case-studies, we cannot ignore the impact of societal interests and pressure.

Societal Approaches

Societal approaches to the study of foreign economic policy focus primarily on the effects of demands for protection by pressure groups¹¹ (Mansfield and Busch 1995: 724). These groups create coalitions which are engaged in support or protest vis-à-vis trade policies. The balance between the opposition coalitions opposing FTAs and those favouring them creates the ‘demand’ by society. Accordingly, civil society is seen to be made up of a plethora of diverse, fluctuating, competing groups of individuals with shared interests and with many effective political resources available to them (Krasner 1984: 226). Trade policy is thus commonly observed as a product of domestic interest group politics. In the “demand” explanation of protection, the state is seen as the empty receptacle (container or vessel) of societal bargaining with no independent voice or role (Lake 1988: 33). Theoretically, much of the literature on trade policy tends to emphasise the ‘demand side’¹² of trade policy in that it focuses on why different elements of society have different preferences concerning trade policy. This literature links governments’ policy choices to the preferences of interest groups that mobilise in reaction to changing conditions in the international economy. Schattschneider’s study of trade policy in 1935 was the first to engage deeply with the issue of how key domestic

¹¹ It should also be noted, however, that some works such as that of Milner look at the interests of societal groups in their demands for liberalisation. For example, this can be observed by the Japanese free trade movement and also the Korean Chaebol in regard to the Korea-USA FTA (Choi 2001; Milner 1997b).

¹² In this regard, Frieden and Martin (2001: 16) (who emphasise the Stilger-Peltzman approach to the political economy of regulation, the analysis of rent-seeking and the analytical Marxism), argue that governments weigh benefits to special interest groups, and different levels of concern over broad public goods.

Chapter One

stakeholders influenced the making of US laws by providing an analysis of the role of lobby groups during the passing of the infamous Smoot–Hawley tariff of 1930. The important question, to which the societal approach responds, is why different groups in society hold different trade policy preferences. In order to understand and answer this central question, one must examine the distributional consequences of international trade. Not everyone benefits in the short term from international trade, for it brings rising incomes to certain groups while others are adversely affected. Therefore, the issue revolves around the distributional consequences of FTAs (winners and losers) that have transformed the relationship between public–private sectors and given rise to new policy networks.

In short, the FTA arena can be understood to be a struggle between domestic forces that are pressuring government agencies to pursue frequently divergent positions on trade policy (Ravenhill 2004: 59-60; Gilpin 2001: 341-61; Mansfield and Milner 1997: 5-14).

The political conflict connected to FTA policy typically involves high economic stakes for the country as a whole, or short of that, major economic consequences for parties immediately affected by international trade. The process and outcome of the Korea-Chile FTA provides a typical example of trade policy that encapsulated a domestic political struggle among different economic interests. What is more, the Korea-Japan and Korea-USA cases share striking similarities in terms of this struggle.

Factor endowment versus Specific-factors model

In trying to engage with the issue of how different groups benefit or lose, two main perspectives have emerged in the literature. One school of thought, here referred to as “the factor–endowment model,” links policy preference to ownership or usage of the factors of production, which are broad categories of inputs of production such as land, labour and capital (O’Reilly 2005: 654). Working within the Stolper–Samuelson theorem, Ronald Rogowski’s *Commerce and Coalitions* (1989), asserts that international trade has profound effects on the distribution of societal wealth and resources among different interest groups. He also argues that increasing levels of exposure to international trade are advantageous to owners of factors of production in

Chapter One

which a country has a relative abundance and disadvantageous to them in which a country has a relative scarcity. Furthermore, by applying a simple model of politics, alliance structures were used to demonstrate how policy choices are often reflections of the underlying preferences of the strongest and best-organised interests in society (Keohane and Milner 1996: 7-8; Midford 1993: 535-564; Rogowski 1989: 1-20). Accordingly, the Korea-Japan FTA is regarded as fitting this line of argument.

In other words, the labour sector, in particular, perceives the FTA as a contest of labour against that of capital, which is in greater abundance than labour in Korea. However, this model does not fully explain the other two cases outlined below.

Another school, which emphasises societal preferences in explaining policy decisions, argues that interest group preferences form along industry lines instead of factor endowment lines. The model, called the “specific factors model,” characterises the domestic politics of trade policy as a competition between industries rather than as a competition between labour and capital. In other words, instead of individuals’ preferences reflecting membership in abundant or scarce factors of production, they will reflect the international competitiveness of industries in which individuals are employed. Thus, members of both abundant and scarce factors of production will mobilise behind trade liberalisation (or protectionism) if they are employed in export-oriented (import-competing) industries, and we will see divisions within factors or classes rather than between them. In this context, Jeffrey Frieden uses the “specific factors” model to analyse political conflicts over foreign economic policy in the US in the inter-war period (1988), economic liberalisation in newly democratising Latin American countries (1991a) and the distributional and political impacts of liberalisation in financial market (1991b). Peter Gourevitch (1986, 1984 and 1977) also employs a factors approach to analyse how the US and various European countries responded to international economic downturns in the 1870’s, 1930’s and 1970’s and claims that such policy response reflected the preferences of politically dominant interest groups. What is more, Michael Shafer argues in *Winners and Losers* (1994) that sectoral characteristics such as production flexibility, capital intensity, economies of scale and asset-factor flexibility all affect how industries respond to international economic shocks and how governments respond to the demands of those industries. Contrary to the factor endowments model, the specific factors model can be applied to

Chapter One

the Korea-Chile and Korea-USA FTA cases. Broadly speaking, it could be argued that the two FTA cases correspond to a conflict of interest between agricultural sectors (import-competing industries) and large manufacturing industries (export-competitive industries).

The implication of this argument is that those interest groups that are more likely to mobilise and become politically active are more likely to succeed in influencing states' policy (Frieden 1991a: 23; Gowa 1988: 24). Essentially, then, the "demand side" literature argues that overcoming collective action problems¹³ is a key determinant of political influence. Whereas groups with large numbers of members are ineffective for realising common objectives, those with a relatively small number of producers not only have a large incentive for collective action, but they find it easier to organise their preferences and can much more effectively lobby government for their desired trade policy. In consequence, this helps us to understand why producers' interests dominate trade politics while consumer interests are often neglected.

While the two models agree that the losers from international trade prefer protection while the winners from international trade prefer liberalisation, they posit different assumptions as to factor mobility¹⁴. Whereas the factor (endowment) model assumes a high degree of factor mobility, the specific factors model (or sectoral model) presumes that the factors cannot be easily reallocated from one industry to another in response to changes in relative prices. Yet the aggregate conclusions from such political economy studies of trade policy offer contradictory arguments and evidence on the recent balance of the relative level of factor mobility in the USA (Ladewig 2006: 72).

Whatever the debate in conceptualising distributional consequences, an understanding of the societal approach is certainly necessary for understanding countries' policy outcomes. For example, Germany's response of high tariffs to the 1870s depression reflected the preferences of a coalition of protectionist farmers and industrialists¹⁵. Likewise, Britain's continued commitment to free trade reflects both

¹³ Olson (1965) argues that groups do not always effectively lobby because of the collective action problem. Thus, even though consumers share a common goal and common benefit, due to the costs of organising such large numbers, the collective action problem prevents them from exerting pressure on their governments or politicians to achieve their goal and benefit.

¹⁴ It refers to the ease with which labour and capital can move from one industry to another in response to the changes in relative prices caused by international trade.

¹⁵ In 1897, Germany changed its course and adopted the 'iron and rye' tariff. Explanations concentrate on domestic groups within Germany. As owners of grain producing farms in Eastern Germany, their interests were damaged by transportation costs that translated into plummeting grain prices in European markets. While Gourevitch

Chapter One

the weak position of farmers who favoured protection and the might of industrialists and financiers in London who favoured maintaining open markets. In this case, policy debates during economic crises are characterised by intense political disagreements and competition among interest groups with divergent policy preferences. The eventual policy responses to these crises demonstrate to some degree that the preferences of coalition interest groups influence policy outcomes. For example, all the domestic winners of the Korea-Chile FTA are the FKI which produces, for instance, automobiles and electronic goods. The latter had a substantial influence in the FTA policymaking process in conjunction with their strong relationship with the government. The losers, on the other hand, were typically farmers. In other words, the benefits of the FTA were unfairly distributed between the agricultural industry and industrial manufacturing sectors, thus also fuelling political dissent against the government. In consequence, one of the most serious issues arising from the Korea-Chile FTA (and also recent debates in regard to the Korea–USA FTA) was the government's confrontation with the domestic farm lobby; in particular the ability of Korean farmers' organisations to muster their political weight in attempting to influence the government's FTA negotiations with Chile¹⁶.

Focusing on actors' preferences as the driving forces behind foreign economic policy thus raises an important question: *what determines who wins policy conflicts over foreign economic policy? Whose preferences matter? Further, how do societal preferences correlate with policy processes and outcomes?* As the next section makes clear, the current societal approach by itself does not fully address such questions. In attempting to answer these questions, interest groups scholars often emphasise characteristics of interest groups themselves that purportedly affect their ability to exert influence on states' policy choices. Many scholars of this approach focus on public goods theories of collective action to explain which groups are the most powerful demanders. For instance, Avery (1998) and Pincus (1975) explained how interest groups pressure the government for trade protection. Prior to the US Civil War, the

(1986) applies to a specific factors model approach to explain the adoption of the 'iron and rye' tariff in 1879, Rogowski (1989) applies a Heckscher-Ohlin (Stolper-Samuelson) approach to analyse the adoption of the 'iron and rye' tariff.

¹⁶

It is, however, very difficult to apply this same logic to other FTAs such as that of Korea-Japan and Korea-USA. Because the Korea-Japan FTA is not the same as Korea-Chile in terms of representing a threat to the domestic agricultural sector, the latter has voiced little opposition. On the other hand, the Korea-USA FTA has experienced much more resistance.

Chapter One

structure of protection could be explained by the incentives for collective action among different commodity-based interest groups. In another case, Caves (1976) analysed tariff structures of Canada and found that the labour intensive industries received the highest levels of protection from international competition. Ray (1981a; 1981b) scrutinises the cross-national pattern of the tariffs and argues that while the tariff-protected industries in the US have been the labour-intensive industries and low-skill industries, the European countries did not do the same. Other scholars also argue that highly concentrated industries with a small number of firms have a greater chance of gaining protection (Godek 1985 and Olson 1965)¹⁷.

Essentially then, the society centred literature argues that overcoming collective action problems is a key determinant of political influence (Gowa 1988). Those groups that are most likely to mobilise behind their preferences will benefit from the greatest effect on policy decisions. Moreover, the extent to which interest groups can overcome collective action problems relates to the characteristics of the groups themselves.

Limitations

The societal approach, however, is not perfect. There are some issues which need redressing before we can attempt to shed any light on this thesis' contribution to international political trade economy. Among these issues is; factor mobility models and their questionable assumptions. Furthermore, societal approaches allude to domestic actors and their impact on outcomes but – and this is of vital importance to this thesis – provide no method of actually evaluating the relationship between domestic actors and final outcomes. Each of these areas shall be dealt with in turn.

Despite their conflicting assumptions about factor mobility, both the factor endowments model and the specific factors model stress collective action costs as a major variable in affecting the extent to which social preferences translate into policy choices. Upon closer examination however, each model suffers from imperfections that cast doubt on their ability to make accurate predictions about the ability of interest groups to influence policy making, because assumptions that underlie those predictions are often questionable. The predictions themselves often lack convincing empirical

¹⁷

The point is that a particular factor has an interest in seeing a high domestic price for the good it produces and so favours protection. They are often few in number and thus find it easy to mobilise themselves in order to influence their governments. This is overcoming the so-called 'collective action problem' described by Olson (1965).

Chapter One

support.

First of all, let us examine the factor endowment model. While it makes clear predictions about mobilisation, the logic behind those predictions is somewhat tenuous because the preferences of societal actors are not as unambiguous as the model assumes. Societal actors may draw income from more than one factor, and this in turn can create conflicting preferences if some of those factors are more abundant than others. Moreover, actors with uncertain preferences will have less incentive to become politically active and may not mobilise despite their potential ability to do so (Coneybeare 1983). Second, the specific factors model; factor mobility ensures that owners and users of abundant factors can relocate into expanding export oriented industries with ease, regardless of whether they actually contribute to the association's activities. Similarly, protection assists all owners and users of scarce factors since they can relocate into protected industries without needing to be politically active (Kim 2000a; Alt and Gilligan 1994; Caves 1976; Pincus 1975). When factors are mobile, it is then difficult to exclude societal actors from the benefits of trade policies. Consequently, Rogowski's expectations of mobilisation need not come to pass unless the costs of collective action are somewhat low. When labour is flexible and portable from industry to industry or region to region, efforts to mobilise politically will encounter great difficulty, since membership of worker organisations may be unstable, making it more difficult to solicit constitutions from workers. Factor mobility therefore may present considerable problems for collective action that Rogowski does not adequately address in his work. Furthermore, the specific factors model attributes variation in the level of mobilisation to various industry level characteristics such as factor specificity. Since characteristics such as factor specificity need not be correlated with the degree of international competitiveness or import competition, the specific factors model cannot make clear predictions about the relative inherent abilities of the competing interests to engage in collective action in response to external demands. If the model is truthful, any economic shift should be followed by the mobilisation of both export oriented interests and import competing interests regardless of the nature of the shift. Regardless of the weaknesses of the two models themselves, each model can help us to understand the expected interests of societal actors.

In sum, societal approaches consider trade policy as the result of competition

Chapter One

among interest groups and the other non-state actors affected by commerce. Essentially, the societal approaches' literature argues that overcoming collective action problems is a key determinant of political influence (Gowa 1988). Moreover, the extent to which interest groups can overcome collective-action problems is a function of some characteristics of the groups themselves, such as the specificity of the factors of production of which they are members or whether they profit from changes in the level of a country's international trade. However, the ability to overcome collective action problems and mobilise for political purposes need not guarantee influence over policy matters (Keohane and Milner 1996; Alt and Gilligan 1994; Thelen and Steinmo 1992; Odell 1990; Goldstein and Lenway 1989; Nelson 1988; Krasner 1984). This weakness points to a certain importance of institutions which may intermediate between societal pressures and policy outcomes; affect the relative abilities of different interest groups to influence policy-making and thus help determine the outcomes of competition over foreign economic policy.

A critique of current literature of institutions

Much of this literature has attempted to develop the link between state institutions and policy outcomes¹⁸. Put simply, preferences do not automatically translate into policy decisions. Within this conceptualisation of institutions, Ikenberry *et al.*, (1988) argues that institutions range from 'specific characteristics of government institutions' that affect channels of access to policy-making to 'more overarching structures of state' that influence the distribution of decision-making power within the state to the 'normative social order' that sets bounds on acceptable forms of state intervention in the economy. If domestic political institutions affect the ability of different interest groups to influence policy, they will affect whether or not countries stay on the path towards greater economic openness.

One popular argument is that the magnitude of policy change is negatively correlated with the "number of veto players," which is defined as the number of

¹⁸ Closely related to the specific topic under examination in this study, Katzenstein asserts that "the domestic structure of the nation state is a critical intervening variable without which the interrelation between international Interdependence and political strategies cannot be understood" (1978a: 3). He analyses six advanced industrial states and contends that differences in domestic structures and the international context in which they are situated have led to the adoption of different strategies of foreign trade policy, such as quotas, invisible tariff barriers, direct subsidies to import-competing industries, and different forms of foreign exchange controls.

Chapter One

institutional actors whose assent is necessary for a policy change (Tsebelis 2002). He emphasises the effect of veto players, which he defines as ‘an individual or collective actor whose agreement is required for a policy change (1995: 93).’ These veto players could block policy proposals for reform. Furthermore, an increase in the number of veto players disperses decision-making authority. The greater dispersal of authority will therefore limit the extent to which any demand for altering the status quo will actually influence policy decisions (Tsebelis 1999; 2002)¹⁹. As Garrett and Lange (1995) point out, decision makers within different veto points may have sharply differing views on policy reform when the institutions themselves represent different constituencies and aggregate preferences in different ways. Presidents for instance, generally represent national constituencies and are more likely to view issues through the prism of the national interest than are individual legislators (Destler 1995). From this, one may conclude that federalism may over- represent particular regional interests hostile to certain policy proposals (Verdier 2001; 1998).

In a more comparative vein, Rogowski (1987) argues that different electoral systems create different incentives for distributional politics. Larger electoral districts generally contain a more heterogeneous collection of interests. This diversity of pressures can give representatives more autonomy while in small districts, constituencies are more homogenous and the influence of any one interest will increase. As the size of the district increases, representatives will have more autonomy and more ability to act on their own views rather than those of their constituents, which works to the disadvantage of rent-seeking protectionists (Frieden and Rogowski 1996; Garrett 1995; Rodrik 1995). Such works demonstrate that institutions can affect the levels of access to policy makers which interest groups have in the area of trade policy. Katzenstein has also suggested a natural affinity between trade dependence and proportional representation in the smaller European states as a lucky historical accident motivated principally by domestic social conflicts (1985: 150-156). Following on, Oatley (2004) argues that general elections, which many would suggest constitute the defining characteristic of democracy, are crucial as they create powerful incentives for politicians to present the economic interests of their constituents. In order to maintain

¹⁹

In more recent years though, Mansfield *et al.*, (2002) have argued that the fragmentation of power within post-communist countries has been a potential force for trade liberalisation. In post-communist states, where power is fragmented within the national government, the newly elected leaders or elites have had weak ties to the old regime.

Chapter One

their political office in this system, representatives must make policies that satisfy the demands of the constituents or domestic stakeholders in their districts. In a single-member district electoral system, therefore, national trade politics will be characterised by competition between industries because political representation is directly linked to specific territorial districts with unique economic characteristics (Oatley 2004: 97).

By comparison, electoral systems based on proportional representation will more likely encourage trade coalitions built upon factorial rather than sectoral positions. In this manner differing electoral systems affect the creation of divergent trade politics. In this way a single-member system will cause sector-based competition, whereas factor-based competition stems from proportionally represented electoral systems.

The review of the institutional literature demonstrates that domestic political institutions have critical effects on national political responses to external pressures. Many scholars (Tsebelis 1999; Hall 1992; Haggard 1990; Rogowski 1987) provide theoretical logic that formal political institutions, such as the number of veto players, the level of bureaucratic autonomy, the government type, the party system and the electoral system could be important institutional variables.

In developing this argument, Frieden and Martin (2001) seek to highlight interests and institutions as being the most viable perspectives in explaining and understanding the outcome of foreign economic policy. Furthermore, they categorise two functions of institutions; aggregation and delegation (ibid: 23-24)²⁰. Some institutions aggregate the ability of interests groups to organise and the weight they will have in the political process. Others achieve this by delegating decision-making authority to particular actors. In one way or another, Frieden and Martin's primary emphasis is on delegating authority (electoral, legislative institutions and bureaucratic institutions), which serves to mediate the pressures brought to bear by organised interests and the general public, transforming them in ways that directly affect policy-making.

The importance of these studies cannot be overlooked. They have a

²⁰

While mentioning aggregation, the above authors do not clarify it sufficiently for my purposes. Thus, while utilising Frieden and Martin's ideas in terms of juxtaposing interests and political institutions, I find it more conducive to employ Milner's terminology when referring to political institutions. Consequently, Milner (1993) classifies two types: representative and administrative institutions. She argues (in a study of three countries: France, Britain, US) trade policy outcomes is seen to be specifically dependent on legislatures, political parties, elections and bureaucratic apparatus. It is exactly through the aforementioned political institutions that interest groups in Korea attempt to influence FTA policy.

Chapter One

demonstrated track record in explaining the political institutional determinants of trade policy. Leading explanations of such kind usually focus on the role of proportional representation versus electoral systems based on plurality (Persson and Tabellini 2000; Mansfield and Busch 1995; Rogowski 1987). However, this argument cannot account for all of the variation in trade policy between and within countries, and generates numerous anomalies that still need to be explained. Other studies into the role of presidentialism or party discipline suffer from similar limitations.

However, the fact is that the vast majority of the above literature is derived from studies examining the US. This US-centric approach inevitably overlooks differences that exist in how state and non-state actors might act outside of a US context. Hence the role of political institutions fails to explain why the Korea-Japan FTA reached a deadlock. Other anomalies remain when the outcome of the Korea-Chile and Korea-US FTAs are examined using the institutional argument (e.g. the extended duration of the ratification process of both despite support from the government).

This thesis contends that a societal approach will help towards bridging these possible gaps in our understanding and so it is to this theory that we shall return. Problematically, the current literature has not been clear in defining the link between overcoming collective action problems and policy outcome. Fortunately, there is a body of literature (influence lobbying) that offers us some clues as to how to go about building an analytical framework which can explain how interest groups preferences are transferred into policy outcome through channels of influence. This literature includes the work of Milbrath (1963) who distinguished between tactics and strategies of interest groups, Berry (1984) who described four different types of interest group strategies (use of law, protests, releasing research papers and constituency influence), Gais and Walker (1991) who explored links between insider and outsider strategies and Victor (2007) who argues that lobbying tactics can be divided into two categories (insider and outsider lobbying). This thesis has utilised these analyses to develop a framework consisting of three key channels of influence (PI, PPPM, and IPI) (for details see Chapter Two) that describes how interest groups convert preferences into policy outcomes.

By employing this analytical framework, this thesis demonstrates the practicability of applying the societal approach in explaining how interest groups act as a key variable in Korea's FTAs.

Chapter Two: Korea's FTA Context

Introduction

While the previous chapter discussed the theoretical framework upon which this thesis will build, this chapter explores the analytical framework in order to demonstrate why I believe the societal approach is the most appropriate method for examining the variances in Korean FTAs to date. Particularly germane to this approach is the explanation of the distinguishing features and the factors that produce domestic stakeholders. Therefore the initial purpose of this chapter is to examine how societal actors have evolved or developed within the context of international, statist and societal approaches, through reviewing a brief historical context of Korea's political and economic development (particularly foreign economic policy) during and immediately after Korea's period of democratisation in 1987.

The second issue the chapter addresses is to explain how domestic stakeholders translate their influence into policy preference. We attempt to do this by defining three key channels of influence; Public Influence (PI), Capacity to influence political institutions (IPI) and Proximity to key politicians and policy makers (PPPM). PI refers to processes by which bodies attempt to gain public support for specific positions. The media, such as television and the Internet, play an important role in this politicisation and will be examined in detail. IPI refers to the way in which societal actors' demands go through the existing institutions. Within Korea's FTA policy making process we examine in particular the two important veto players (President and the NA). This analysis provides both a demand and supply side interpretation which makes for a better understanding of Korea's FTA dynamics. PPPM describes the relationship that many groups in Korea have with individual politicians and key policy makers and the influence that can be gained through these relationships.

The chapter will then discuss the defining characteristics of FTA procedures, namely the agenda-setting, negotiation and ratification phases. Following on from this, we shall examine how political bodies, individuals and domestic stakeholders operate through these three phases.

Democracy in Action and the evolution of interest groups

The democracy announcement of 1987 ushered in not only a new era of political democracy, which was a decisive turning point for domestic freedom but also a period of new-found growth for Korea's new foreign economic policy. However, the expansion of the political space altered the characteristics of state cohesiveness and allowed a broader array of social groups to become active, independent actors. Three foreign economic policy cases will be discussed to place the evolution of interest groups in context. These are beef imports in 1987, the UR negotiations in 1993 (focusing, in particular, on the opening of the rice market mentioned in the Introduction) and the Korea-US Bilateral Investment Treaty (BIT) in 1998.

The case involving beef imports highlighted the considerable difficulties the Korean government had when dealing with the conflicting interests between farmers and exporters¹. Coalition groups comprised of primary producers managed to draw the NA's support on this issue by organising nation-wide demonstrations opposing the imports. The one-quarter of the NA members with constituencies in rural areas had little choice but to oppose the imports. This prevented the Korean Government's attempt to open beef markets despite domestic pressure from the industrial sector, coupled with threats of US retaliation.

Even more remarkable was the involvement of the film industry in the Korea-US BIT, which the Korean government pursued fervently for several years. From the time of the initial negotiations, however, the controversial screen quotas² issue had been a major hurdle in clinching this treaty. Facing continued strong resistance from the film industry - which was allied with civil groups and took advantage of strong media exposure - lobbying both opposition and governing party members of parliament, the Korean government backed away from the negotiation, thus bringing the BIT negotiations to a halt. Finally, in January 1999, the Korean NA passed a resolution that the screen quota should stay in its contemporary form until the local film industry obtained 40 percent of the market (Choi 2006:3). This once again demonstrates the

¹ The US insisted and warned Korea regarding the beef issue in 1987 that it would request a GATT dispute settlement for Korean violation of its obligations under GATT, and threatened to add a retaliatory tariff of 100 percent under Section 301 of the 1988 Omnibus Trade and Competitiveness to all Korean products exported to the US.

² For the details, see Choi (2006) '*When culture meets trade-Screen Quota Conundrum*,' Ewha Womans University, August, 2005.

potential for interest groups to sway policy thinking and outcomes on trade policy issues.

The common factor in these cases was the strong voice of domestic coalitions in the foreign economic policy making process. Even in the face of state ambition and international pressure, their influence produced outcomes quite removed from the original positions assumed by the Korean government. This established an early position for interest groups as influential actors in foreign economic policy making.

These two foreign economic policy episodes, including the UR negotiations discussed in the introduction, make it difficult to support a statist argument that Korean foreign economic policy outcomes, including FTAs, are solely shaped by national interest as defined by the government of the day. Rather, they demonstrate that many foreign economic policy outcomes are managed to some extent by societal actors or, to put it less forcefully, compromised by domestic political processes. Furthermore, these episodes also provide some insight into the characteristics (means) of interest groups' channels of influence, which are key analytical tools for this thesis. The following section of the thesis examines the principal channels of influence.

The three key structures of channels of influence

As has already been noted in the analytical framework, Duverger (1972), and Almond and Powell (1966) broadly distinguish formal (direct pressure on government) and informal channels (public demonstrations). These two categorisations cover a complicated matrix of relationships that dictate the flow and transfer from preference to influence to policy outcome. Other scholars have elaborated this distinction by identifying the tactics and strategies that many interest groups use.

We know that groups choose categories of lobbying tactics for strategic purposes. For example, groups may use direct lobbying and grassroots in one situation, or indirect lobbying in different circumstances. Milbrath (1963) has suggested that tactics are external activities in which groups engage (e.g. meeting with MPs), while strategies involve the use of a combination of tactics to influence a given situation.

Some groups may choose either direct or indirect lobbying based on their organisational resources and prior experience in using the tactics (Berry 1997). Gais and Walker (1991) draw upon this and distinguish between insider and outsider strategies.

They found that groups inside the political process use tactics such as legislative lobbying, litigation and electioneering, while outsider strategies consist of protests and grassroots lobbying. Victor (2007) has argued that lobbying tactics fall into two categories: direct and indirect lobbying. Direct lobbying (or ‘insider lobbying’) is defined as close consultation with political and administrative leaders, relying mainly on financial resources, substantive expertise and concentration within certain congressional constituencies as a basis for influence. Direct lobbying is therefore made up of one-on-one contact and the provision of information to try to influence legislators. Indirect lobbying (or ‘outsider lobbying’) is aimed at influencing the views of the general public in the expectation that these will in turn affect the preferences of legislators (Victor 2007: 827; Kollman 1998: 9; Berry 1997: 121). When the public is highly aware of an issue, it is more difficult for NA to ignore the demands of groups regarding that issue.

Several of these studies drew many of these conclusions together and the result was that they distinguished four different types of interest group strategies. The first type of strategy utilises litigation and administrative interventions. The second type includes acts of protest and public relations. Third category was informational strategies such as publishing research reports, conducting presentations to government ministries and agencies and giving congressional testimonies. The final strategy consists of influencing MPs at the constituency level, publishing voting records and campaign contributions.

Although this thesis stresses the role of formal and informal channels that interest groups utilise to express their preferences, it would well behoove us to delineate further categorisations that would help evaluate the case studies in further detail. This is not to say that the formal and informal channels would be subsumed by these categorisations, it would rather be a case of the former resting upon the latter. In other words, we shall retain the use of the distinction between formal and informal channels but shall apply more specific categorisations where appropriate to help shed light on the specificity of the link between domestic stakeholder influence and FTA outcome.

While Duverger and Almond and Powell have elucidated the importance of both formal and informal channels of influence, there are further nuances that later theorists have developed which we need to examine from the perspective of this thesis.

Some of the works discussed above share overarching similarities. Both Gais and Walker and Victor point out the duality of ‘insider’ versus ‘outsider’ tactics (or lobbying). These forms of influence work through two main areas, political institutions and public influence. This duality, as we shall see in our case studies, is also applicable in a Korean context. Milbrath’s argument that interest groups utilise strategies that consist of one or more tactics also fits in with what we would expect to observe in the debates over Korea’s FTA policy. In utilising these arguments for the purpose of this thesis, I shall describe three categorisations, which are PI, IPI and PPPM.

Public Influence (PI)

Public Influence (Gais and Walker’s ‘outsider strategy’, Victor’s ‘indirect lobbying’ and Berry’s ‘acts of protest’) is the ability to influence the public in one’s favour. This is an informal channel of influence and consists primarily of street protests and demonstrations (both violent and non-violent) and media campaigns.

Demonstrations by themselves, however, are not necessarily of any great import if the public at large remains ignorant of them and the rationale behind them. In this regard, PI in Korea cannot be explained without invoking a group’s relationship to the media.

It is generally accepted that in the wake of political democratisation since 1987, the autonomy and influence of Korean media has increased as state control has gradually diminished (Chang & Park 2000: 85-86; Lee 1999: 210-211). In other words, the Korean media could succeed in strengthening its own power and influence, penetrating into the vacuum of power in which the authoritarian regime lost its grip in the process of political democratisation (Chang and Park: 2000).

Since the 1990s, the Korean media has developed in terms of ideological preference (Cho 2008; Chang and Park 2000). More importantly, during the ten years of the Kim Dae-jung and Roh Moo-hyun presidencies, when all the three cases examined in this thesis took place, television became more left-leaning (Lee 2006; Oh 2005; Kim & Choi 2004). According to a recent study examining the public influence of media (Choi & Kim 2008), the ideological bias of the press has played a critical role in terms of media exposure of specific interest groups. For example, left leaning media have supported the agricultural sector while more conservative media have supported the

position of the FKI (Chang & Park 2001).

Internet and television have much more influence on the public in general than newspapers in Korea (Lee 2008; Song and Park 2005). In particular, Internet resources on politics will be used primarily by those citizens who are already politically well connected, educated, and have been motivated via traditional channels of influence, like mass media, political actors, and grassroots activists. Furthermore, evidence suggests that increased communication capacity raises the degree of political participation in general (Whang 2001). With regards to the political effects of media use patterns, people who read newspapers, for example, tended to have negative attitudes towards the Roh Moo-hyun administration whilst those who watch television news or use the Internet, in contrast, were likely to have positive attitudes (Cho 2008: 20-22; Min 2007). Typically, conservative people in Korea tend to be older, educated individuals who read conservative newspapers (Hwang 2001; Chang and Park 2000: 90-91), while the younger generation tends to be comparatively more left-wing and reliant on online news sources (Lee 2008; Choi and Kim 2008).

Television programs such as 'PD Notebook' and network news, for example, covered issues such as US beef imports (28th April, 2008). The programme clearly opposed the government decision to restart imports and helped paved the way for the mobilisation of massive public protests against US beef imports. Suffice to say that the role of the media in helping to build up the momentum for public demonstrations, willingly or not, cannot be overlooked.

Historically, opponents of the various FTAs have been more astute at harnessing PI. A simple explanation for this phenomenon is the fact that supporters of FTAs tend to rely more on formal channels than informal. There are several reasons for this. Lead among them is the fact that business groups' access to OP is more focused than that of their opponents and places them in a position that gives them superior access to political institutions. To use the terminology of Gais and Walkers's and Victor's duality of 'insider' and 'outsider', the role of 'outsider' is the remaining avenue for opposing groups. Also, the FKI tends to shy away from publicly supporting FTAs in case they are subjected to boycotts by their opponents (see Chapters Three & Five, Korea–Chile and Korea–US for further details).

Power to influence political institutions (IPI)

The thesis mainly focuses on the demand side of Korea's FTA policy making processes and outcomes to explain the effects of interest groups on FTA policy. However, this does not mean that the supply side should be ignored (Milner 1997a). In this regard, some institutionalists (Tsebelis 2002; MacIntyre 2001) argue that domestic political institutions can intervene between interest group demands and policy decisions and thus affect the extent to which the preferences of interest groups influence policies that the state implements. In particular, they argue that the ability of interest groups to affect policy is a function of the number of veto players within a state.

One of the great advantages of a veto player framework is the ease with which it can be applied to diverse constitutional and party configurations to highlight the ease or difficulty, on average, of affecting policy change (MacIntyre 2001: 88). Tsebelis (2002) emphasises the concept of the veto player, which he defines as "an individual or collective actor whose agreement is necessary for a change of the status quo" (1999: 593). He describes two types of veto players. The first type is the institutional veto player (e.g. presidents, chambers of legislatures), which is created by the state constitution, for example, and has formal veto power on policy matter. The second type is the partisan veto player, which consists of parties in governing coalitions. Tsebelis (2001) examined the effects of veto players and argued that large numbers of such veto players hinder efforts at policy reform. In other words, veto players are in a position to water down or block any proposals for policy change, and an increase in their number leads to increased difficulties in changing policies (Immergut 1990).

To test the logic behind the theory, many studies have been undertaken in a wide range of areas: among them, for instance, in response to Asian financial crisis of 1997-1998 (MacIntyre 1999, 2002), and the liberalisation of capital controls (Kastner and Rector 2003). In the area of trade policy, Biglasier and Brown (2001), having focused on the effects of partisan veto players, concluded that trade liberalisation in Latin American countries is more extensive when there is a larger number of parties in legislatures because this creates coordination problems for protectionist parties. They thus arrive at similar conclusions to those studies carried out in different fields. As the above example illustrates, domestic political institutions can act as a brake on efforts to change existing policies and thus foil the efforts of interest groups who wish to revise the status-quo so that economic policy is more to their liking.

Applying Tsebelis' analysis to the Korean context, we can identify two institutional type veto players; the office of the President and the NA. Partisan veto players (such as governing groups), as Tsebelis defines them, are not really applicable to the Korean case because of the fractious, constantly changing nature of Korean politics, where parties change names and members on a regular basis. This has meant, contemporarily speaking, that coalitions have not found enough political space to form, let alone survive, therefore preventing a possible partisan veto player from arising.

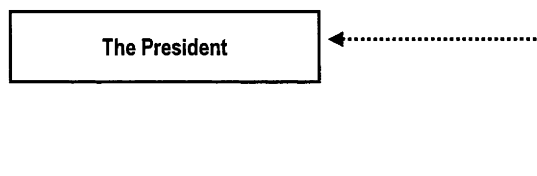
Given that various studies have concluded that the higher the count of veto players within a system results in greater difficulty in changing policy, one could assume that the converse would hold true. That is, a lower count of veto players would mean it would be easier to change policy. Following on from this assumption, considering that, in the Korean case, there are only two institutional veto players, one might expect to find less difficulty in passing policies that affect the status quo. However, the reality is somewhat different. Therefore, in order to better understand Korean FTAs, a richer and fuller account could be achieved by layering in the societal factors. Before we look at these societal factors, let us first examine the Korean institutional veto players, the President and the NA, and why the central assumption of the veto players literature does not fit with the reality of the Korean situation.

Veto players in the Korean FTA policy-making structure

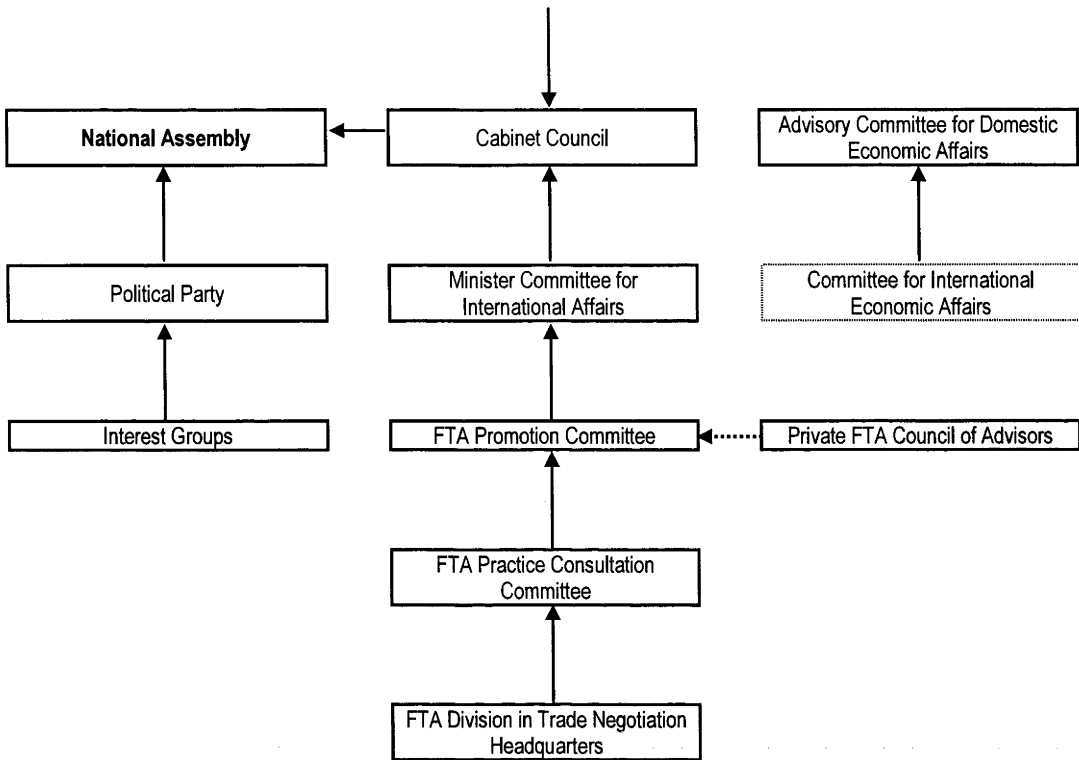
South Korea's FTA policy-making process

Based on theoretical adaptations it is essential to examine South Korea's FTA policy structure in terms of the formal FTA policy-making process.

Figure 2. 1: South Korea's FTA policy structure.



Chapter Two



Cho (2003: 638) describes an overall FTA policy-making process that is summarised in Figure 2.1. The Figure shows that Korea's key actors comprise of the President, the national assembly, political parties and relevant interest groups. Based on his analysis of Korea's FTA policy-making process, there are five possible key actors; the President, key ministries, political parties, the national assembly and interest groups. These administrative clusters are separated into either formal or informal participant groups. Based on this framework, the President, along with relevant Ministries and the NA has formal authority. While political parties and interest groups are part of this policy structure, they do not have this formalised status in the Korean FTA policy-making process. We hope to refine this model further by examining the role of the NA and the president *as* veto players and how domestic stakeholders are active participants in this policy structure. We look at the role of the NA and the president in this chapter, whereas we examine the role of domestic stakeholders in greater detail in the empirical chapters.

President

Based on Korea's trade policy-making structure, we can see that there are two important veto players: the President and the NA. The current Constitution basically adopts a presidential system of 'checks and balances' between the executive and the legislature, even though it incorporates some elements of a cabinet system (Mo and Moon 1999). However, the Korea FTA policy-making style can be characterised as an authoritarian developmental style which revolves around the President, despite recent increases in democratic development (Blondel 1996a).

The President is authorised to enter into and ratify treaties with foreign countries. The President's formal influence in foreign policy therefore seems to be much greater in Korea than in other developed countries. The President's role in advocating FTAs as a legitimate economic policy option in Korea has proven to be very important (*JoongAng Daily*, 07/03/2006; 13, 29/01/ 2007). For example, both Presidents Kim Dae-jung (Korea-Chile FTA) and Roh Moon-hyun (Korea-US FTA) were instrumental in moving forward the FTAs launched during their administrations and played pivotal roles in Korea's shift towards bilateral FTAs. It is difficult, however, to find evidence of President Kim playing a decisive role in the process of Korea-Chile FTA (Ahn 2003: 68). It should be noted that although the Korea-Chile FTA was eventually passed under President Roh's administration, it did so at a very high cost, both financially (i.e. side payments to interests adversely affected by the agreement of around 1.3 trillion Won) and in political capital. More recently, President Lee Myung-bak has been highly visible during the Korea-US FTA ratification phase. Despite this visibility the Korea-US FTA has failed to be ratified by the NA. The fact of the matter is that although the presidency, as an institution, claims veto power, presidents themselves are subject to the whim of the electorate, just like any other politician. Hence, we cannot overlook the role that elections play. Oatley (2004) argues that elections are very important because they create incentives for politicians to represent the economic interests of their constituents. In this regard, one key tactic of interest groups in general, is to utilise presidential election campaigns as an important means to state what their group's preferences are, which many would suggest constitutes the defining characteristic of democracy. This aspect is crucial as it creates powerful incentives for politicians (including candidates running for the presidency) to represent the economic interests of the voters they would hope to sway. For example, both the Korea-Chile FTA and Korea-US FTA ratification

processes took place during the 2002 and 2007 Presidential elections (details in Chapter Three and Five) and were accordingly placed on the back-burner during these campaigns. Neither FTA had the outright, public support of the president during the elections and neither passed its ratification phase the year of the elections either.

To summarise, although the President does have a veto role in the FTA process, this veto role does not give the President with a preference for FTAs the power to *pass* these FTAs that are opposed by institutions or groups other than the president. It is the contention of this thesis that domestic stakeholders can be counted among these groups that stay the hand of presidents (as veto players) with a preference for FTAs.

National Assembly

The NA is supposed to play an important role as a democratic controller of executive power and has constitutional powers in FTA policy-making, notably the requirement that it must ratify trade agreements. It is this ratification process that has attracted the influence of domestic interest groups in the FTA policy-making process. The Executive relies on obtaining NA approval for its foreign economic policies. Generally the government obtains this support without much difficulty and the role of the political party amounts to supporting the government's foreign economic policy. However, when the issue of FTAs began to arise in the NA, the typical support that has been given to the government when it came to foreign policy became more difficult to mobilise. This can partly be explained by looking at the forces acting on politicians and political parties.

As a general description of Korean political parties, there are no parties that represent specific social classes and interest groups (Helgesen 1998: 194; Cotton 1989). Therefore, there is generally a weak relationship between political parties and interest groups. Interest groups accordingly often have to rely on informal channels such as public demonstrations, to generate media and public attention to articulate their preferences in the case of FTAs.

On the other hand, farmers as a group enjoy a certain amount of influence in political circles. During the Korea-Chile FTA ratification process, parties allowed discretionary authority to their members due to an intra-party row. Therefore, rural members (MPs) were allowed, regardless of their party affiliation, to conduct

themselves as members of a "Rural Party." In this manner, the distinctions between the ruling party and the opposition, the left and the right were blurred. The only salient division was between the rural community representatives (MPs), who were very conscious of the farmers' strong FTA opposition, and the non-rural community representatives (MPs). Under these circumstances, the political party structure actually helped to protect farmers' interests.

This phenomenon is due to the special nature of Korean electoral institutions. In the Korean case, electoral institutions created as a result of political calculations have tangible consequences on FTA policy. The apportionment of electoral districts has serious political implication in terms of representation (Park 2005: 90). The key feature of *malapportionment* has been the over-representation of rural areas and the under-representation of urban areas.

The electoral law was the result of political manipulation of apportionment by authoritarian governments since the early 1960s (Netherlands 1988: 63). The most salient voting pattern of Korean voters in the authoritarian period (Park Jung-hee and Chun Du-whan administrations) was '*rural voters vote for the ruling party*, while urban voters vote for the opposition party' (Kim 1989: 488; Netherlands 1991: 25). In order to secure a majority in the NA, the ruling party deliberately increased the number of rural districts, which traditionally supported it. Although this voting behaviour is no longer the dominant voting pattern in Korea due to the existence of regional based voters, the most important voting pattern of Korean voters today, the vested interests of lawmakers make it impossible to reduce the number of rural districts even after the Constitutional Court ruling³ and heavy criticism to the election law.

Most over-presented districts are predominantly rural areas, while most under-represented ones are urban and mostly in the Seoul area (Yu 2006: 667). Consequently, the rural interests are over-represented in the Korean NA, despite attempted election law reform since 1995. Specifically, agricultural coalitions have successfully managed to make use of this gerrymandering of Korea's electoral constituencies. Therefore, agricultural interests have been able to protect their monopolistic interests over national

³ In December 1995, the Constitutional Court judged that the then current election law, which allowed a maximum ratio 1 to 5.9 in terms of the population between the two districts with the largest discrepancy, was a violation of the Constitution and suggested a maximum 1 to 4 ratio. Accordingly, in the 2000 election, the maximum discrepancy between two extreme districts was narrowed down to 1 to 3.74. Furthermore, in October 25, 2001, the Constitutional Court ruled again that the 1 to 4 ratio was still in violation of the Constitution and recommended narrowing the discrepancy to 1 to 3 until the end of 2003.

interests. To put it another way, regardless of whether a governing party supports an FTA or not, the dominance of rural districts in the NA makes it difficult for any government to ratify an FTA that is perceived to be detrimental to Korean agricultural interests.

Proximity to key politicians and policy makers (PPPM)

While IPI is a critical means for domestic stakeholders to exert their influence through formal channels, it should be noted that domestic stakeholders also have access to informal channels, such as meetings with key politicians and so on.

Victor (2007), Gais and Walker (1991) and Berry (1997) all describe access to important politicians as a channel of influence but while Gais and Walker and Victor describe it within the confines of the 'insider', Berry puts it in the context of a more informal strategy. Many groups in Korea had ties to individual politicians and key policy makers and they took advantage of these where possible in the discussions over FTAs. The FKI, an important group which represented large Korean corporations, had many former policy makers as members and deliberately groomed close ties with current policy makers⁴. During the Korea–Japan FTA, the FKI worked closely with many of these key policy makers before their about-face on the FTA (see Chapter Four). Another good example is the Korea–US FTA. In this instance, the FKI met with the trade minister from the MOFAT to share their ideas regarding the benefits of a Korea–US FTA (see Chapter Five).

It was not only the FKI that had such connections, many civic groups (e.g. PSPD and CCEJ) – especially after the Roh Moo-hyun administration – held close ties with many important policy makers⁵. The agricultural sector also had close ties with MPs and policy makers, particularly MPs whose constituencies were in rural areas. The agricultural sector often used such informal access to important individuals to gain

⁴ According to the Ministry of General Administration (1995), members of the Korean business community had joined 78 advisory, consultative and decision-making commissions attached to the government and the FKI had made an average of thirty formal policy suggestions every year to the economic bureaucracy since the 1980s. The government accepted 90 percent of the FKI's policy suggestions since the 1990s (Shafter 1994: 25).

⁵ The Dae-Jung Kim government, which had a progressive character, promoted the idea of participatory democracy, a main current of the New Left that emphasises citizens' active participation in the policy-making process and democratisation of industrial relations. Many of the policy ideas adopted by the government were supplied by reform-minded civic organisations such as PSPD and CCEJ (Lee 2005: 296). Furthermore, As of December 31, 2000, 257 NGO leaders are participating in 92 advisory committees of the central government agencies (Kim and Moon 2003: 560). When Roh's turn came to run for the presidency, in 2002, civic organisations seized the opportunity to establish a firm political foothold.

influence (for example, persuading rural MPs to vote against FTA ratification, such as Korea–Chile FTA and Korea–US FTA).

Organisational Power (OP)

According to the statist argument, the ability of interest groups to overcome collective action problems and mobilise for political purposes will not necessarily guarantee influence over policy matter (Alt and Gilligan 1994; Odell 1990; Krasner 1984). The ability to overcome collective action problems, however, is *the* prerequisite for any interest group to influence policies. But how do groups overcome their respective collective action problems? For example, small, focused groups (e.g. business federations and special interest groups) actually have higher organisational power than large, collective groups (e.g. consumers) who suffer from barriers to mobilise (e.g. ‘free rider’ problems). This characteristic helps us to understand why producers’ interests dominate trade politics while consumer interests are often neglected. The implication of this argument, explicitly stated in Friden (1991a) is that those interest groups that are more capable of mobilising are more likely to succeed in influencing state policy because policy makers are more responsive to those who are politically active.

For example, Olson (1965) argued that interest groups that have relatively few members, particularly those with a business orientation that have greater organisational capacity, were better able to mobilise to exert political pressure in their special interest than were groups with many potential members who sought only benefits for the collective. To put it simply, groups with higher organisational power find it easier to organise their preferences and can much more effectively lobby government for their desired trade policy.

However, OP is about the potential of interest groups. In fact it is a group's capacity to organise that allows them to express, via other means, their policy preferences. ‘Demand side’ scholars often emphasise characteristics of interest groups themselves that are meant to affect their ability to exert influence on states’ policy. More specifically, they argue that a key factor that explains whether the preferences of societal actors actually work their way into policy decisions is whether actors with common preferences overcome collective action problems and mobilise for political

purposes. Those groups that are more likely and better able to organise are better able to realise their goals because they will have greater ability to pressure policymakers to act upon their wishes.

Rogowski (based on the factor endowment model), for instance, argues that actors who benefit from changes in trade flows will have more material resources that subsequently can be used for collective action and political activity. Those who suffer from changes in levels of trade, meanwhile, are politically disadvantaged by those changes, since they have fewer resources that they can devote to political activity, which reduces their ability to mobilise for political purposes (Rogowski 1989; 1987). Consequently, those who benefit from changes in the level of international trade are better placed to organise politically than those who lose. Both groups may have equally intense preferences, but the beneficiaries have more resources at their disposal and thus are more able to actually organise.

Proponents of the specific factors model, meanwhile, assert that the extent of interest groups' mobilisation is affected by sector specificity because factor specificity determines the intensity of actors' preferences on trade policy. As factors become more specific to the sectors in which they are currently employed, they have fewer alternative uses in which they can profitably employed, which increases the costs of relocation into other industries in reaction to external economic pressures. Thus, greater factor specificity creates more intense preferences, which is expected to lead to greater levels of mobilisation and, in turn to greater political influence.

Other related sector-based models also offer good additional arguments (industrial concentration and the effect of industry size) for which sectors will actually overcome collective action problems and become politically active. While more concentrated interests are more influential, since they can mobilise with greater ease than less concentrated interests (Busch and Reinhardt 2000, 1999; Lopez & Pagoulatos 1996), industries which are larger and employ more workers wield more influence because they command more votes and thus receive more attention from politicians with electoral concerns (Marks & McArthur 1990; Cameron 1988).

Using this framework, we see that much of what has been stated holds true for our case studies. For example, we can see that the role the FKI plays during the multiple FTA phases of several negotiations is almost a textbook example of what Frieden,

Olson and Rogowski *et al.*, have described in their theories. The FKI, although it is a representative organisation with 481 of members, in reality is an organisation dominated by Korea's largest corporations and is a vehicle for promulgating their preferences. The specificity, the number of influential members and unified purpose (within reason) are all good factors which explain how it is relatively easy for this group to overcome collective action problems.

The agricultural umbrella groups that came about during both the Korea-US and Korea-Chile FTAs display many of the characteristics suggested in the literature as making it more difficult for groups to organize effectively for political action. For example, in contrast with the FKI, these umbrella groups contain many more actors. Consequently, it took longer for these groups to actually overcome their collective action problems. During the Korea-Chile FTA, the primary issue originally of concern for agricultural producers was related to the importation of fruit; it was pursued by a small number of largely non-influential farming lobbies. This agenda was gradually expanded upon by the farming groups, from fruit to the wider implications of agricultural importation. Inevitably the potential membership of the agricultural lobby rose, increasing the collective action problem. However, along with increasing the numbers, the actual debate itself morphed from one based on importing fruit to one of globalisation and the Korean sacred cow, rice. These lightening rod issues managed to unite a wide group of people, helping the agricultural groups in overcoming their collective action problems and to unite as one large, influential umbrella group. One of the most important strategies taken by the agricultural sector was to build a good working rapport with the network that *civic groups* had established (i.e. organisational power). The network itself was created as a result of the processes of the UR agreement (Kim 1995: 160; Chang 1994: 36-39). These civic groups stressed that the FTA would have a negative domino effect by creating the political and conceptual space for further FTAs and, furthermore, was directly linked to the process of globalisation, whose consequences were perceived as undesirable by many civil society actors.

What follows from these facts is rather simple. While both the FKI and farming umbrella groups overcame their collective action problems, the manner in which they did so determined the types of channels of influence that they were most likely to use, or in other words, which channels of influence would be more effective for them to use.

For example, although both groups used PI, the actual details are strikingly different. On the one hand, the FKI utilised direct access to conservative media (e.g., newspapers, etc). On the other hand, the farming umbrella group utilised street demonstrations. Both fall within the rubric of PI but both are very different aspects of this channel of influence. Moreover, the actual channels that each group used reflect this level of Organisational Power, which means to say that although the FKI and the agricultural umbrella groups utilised similar channels of influence (IPI, PI, and PPPM), their different levels of OP meant that they would use different aspects within each channel of influence. This topic will be examined in more detail in the relevant case studies.

Next, each empirical chapter will analyse these channels of influence and the role that domestic stakeholders had in utilising them. The three empirical chapters will also explain why opponents and supporters utilise different channels of influence. In addition, we examine the three variables in order to discover if any channel of influence is more efficient than others in producing results. In other words, we hope to measure and rank the three variables in terms of efficiency and popularity of use. It is through an analysis of the use of these channels of influence and how domestic stakeholders impact government FTA policy that this thesis will examine whether a societal approach is valuable to explaining differences in Korea's FTA experiences. Beforehand though, we shall look at the three phases across which these channels of influence are used.

The three phases of an FTA process

Park *et al.*, (2006: 143) adopted Mundo's framework (1999), concerning the domestic processes in their analysis of the Korea-Chile FTA. Based on this analysis, there are three phases that are consistent throughout each FTA that has been negotiated or ratified to date. The three phases of an FTA are as follows; 1) agenda-setting, 2) negotiation and 3) ratification.

The agenda-setting phase:

This phase can be defined as a devising of new policy or a reforming of old policy. For example; policy makers' recognition that a problem exists

creates an opportunity to turn an idea into a credible solution (Mundo 1999: 19). The agenda-setting phase is, therefore, dominated by policy makers due to the fact that it is their decision whether to consider an FTA or not. Key interest groups may, however, prompt action from policy-makers. The FKI, for instance, has played a role in this early stage due to their relationship with the MOFAT.

The negotiation phase:

The negotiation of international trade agreements, such as FTAs, between two countries essentially involves negotiations at both the domestic and the international level. During international level negotiations, each government attempts to forge an agreement that will not cause undue distress in domestic circles. During domestic negotiations, the government absorbs the concern of societal actors and attempts to build coalitions with them while defining a policy that permits the realization of agreement at the international level (Mayer 1992: 793–796). As this thesis' focus is on domestic rather than international issues and the relative lack of impact international negotiations have on domestic actors, the primary focuses will be on domestic negotiations. It is this phase where opponents and supporters begin to clash over details of – or even the fundamental rationale behind – an FTA.

Ratification phase:

An agreement arranged, however, does not automatically take effect. Most countries have a final phase (ratification) which must be completed before the document can come into effect. For example, the US requires Congress to pass an agreement for ratification. Korea has a similar ratification requirement: an agreement has to pass through Korea's unicameral house with majority support for ratification. Specifically, the NA has to pass the bill to the Unification, Foreign Affairs and Trade Committee (UFATC) before it can be voted on in the NA for ratification. Similar to the negotiation phase, the ratification phase is also susceptible to political horse trading because elected politicians must meet the demands of their own constituencies in pursuing re-

Chapter Two

election (Bearce 2003: 766). In particular, the schism many MPs suffer between voting for the national welfare (national interest), along party lines (sectoral interest) or in accordance to the wishes of their constituency (public interest), results in a fractious assembly which, in turn, results in a situation where interest groups' channels of influence have played a major role.

Conclusion

The aim of this chapter is to provide a framework for the following three empirical chapters and to introduce some of the key concepts that these chapters shall deal with. This chapter has emphasised the context of FTA domestic stakeholders and the use of channels of influence by these groups to effect FTA policies. First, we briefly looked at the background of domestic stakeholders in the field of foreign economic policies. We have also examined how channels of influence can be divided into the three structures of channels of influence for the purposes of analysis. While the three channels of influence are a means for domestic stakeholders to exert their influence on FTA policies, the effectiveness of these channels will be examined in the empirical chapters with a view to establishing which, if any, of the channels are more efficient than the others

Finally, in order to examine variance in greater detail, the main questions that require further elaboration are: Who are the key domestic stakeholders? What are their specific rationales? How, and to what effect, did they influence FTA policy? These questions go to the heart of this thesis and are dealt with in greater detail in the following empirical chapters.

Chapter Three: Korea-Chile FTA

Introduction

The Korea-Chile FTA was the first bilateral trade agreement of its kind that the Korean government established. Although it took more than four years to come to fruition and was beset by wrangling over its terms and, indeed, was confronted with massive opposition to its very existence, this first FTA helps to reveal how key domestic stakeholders interacted with and gave shape to the agreement as it passed through each of its three successive phases. Furthermore, it establishes a paradigm through which to understand these channels of influence which have continued to function in virtually every FTA since.

This chapter opens with a brief background of the Korea-Chile FTA; the government's reason in choosing Chile as, its first FTA partner, including the key issues concerning this decision. The primary aim of this chapter is to examine three important areas:

- i. Identification of the key domestic stakeholders and their respective positions regarding the FTA.
- ii. Examination of the channels of influence used during the three phases of the FTA; agenda setting, negotiation and ratification.
- iii. Evaluation of the impact these influences had on the FTA.

A conclusion will follow these main points.

Background to the Korea-Chile FTA

A Brief Chronology of the Korea-Chile FTA

The Korean-Chile FTA negotiation phase began in December, 1999 after the Korean and Chilean heads of state met and agreed to launch trade negotiations during the New Zealand, Asia-Pacific Economic Cooperation (APEC) summit of the same year. By December 2000, the fourth round of talks were held and 80 percent of the agreement's content was settled. In short, they seemed to have gained some momentum. However, the next two years proved to be a difficult period for the FTA. The negotiating parties had great difficulty in preventing controversial issues from derailing or stalling the negotiations. In the end, it proved to be too much of a task and after the 4th meeting, the negotiations ground to a halt. The main reason behind the deadlock was the agricultural sector; Korean negotiators – under duress from the agricultural sector – wanted to exclude grapes, apples and pears. Chilean negotiators, on the other hand, found it difficult to accept this proposal (Lee 2003c: 10–14). According to Yoo, the proposals to exclude these products were very much influenced by Korean domestic interests (2002:186–191). However, this does not mean to say that the agricultural sector alone was influencing the FTA process; other domestic stakeholders were also involved (FKI and key ministries, for example). These arguments tend to support using the societal approach to interpret the Korea-Chile FTA.

In May, 2001, the Chilean government sent a diplomatic telegram stating that unless Korea conceded on excluding certain products (i.e. grapes, pears and apples), the FTA negotiations would not continue. Korea's subsequent intensive diplomatic efforts (i.e. the trade negotiation director's visit to Chile, bilateral talks, and a separate high level negotiation in Los-Angeles) resulted in the talks restarting in August of 2002 (Cheong 1999a: 117–118). Taken in a vacuum, this would tend to support the statist approach, but doing so ignores the reason why such diplomatic efforts were required, i.e. the agricultural sector's influence was successful in getting the MOAF to support their demands for exclusions (see below).

Both parties expected the deal to be finalised during the sixth round. Eventually, the protracted talks between the two on the FTA drew to a close on October 24th, 2002. On July 8th, 2003, the government submitted the bill to the NA. Despite this,

Chapter Three

the FTA had to wait another 14 months for the agreement to be ratified. Finally, on the 16th February, 2004 the NA ratified the bill on its fourth attempt (See Table 3.1). The process of ratification demonstrated a certain susceptibility of the NA to influence of domestic actors and, furthermore, it was this influence that was integral in causing the 14 month delay of the Korea–Chile FTA passing ratification in the NA. It should be noted that while the Chilean government similarly stalled their ratification of the FTA, this was done by a legislature that could have – in the absence of any opposition – passed the agreement at any time of their choosing and, moreover, that this was done in reaction to the stalling of the agreement in the Korean NA.

The agreement to ratify the Korea-Chile FTA sailed through the Lower House of the Chilean legislature on the 26th of August 2003, the Senate assembly (September) and the second Senate assembly (December). The Senate opened a special assembly on 22nd January 2004 and passed the Korea-Chile FTA unanimously. At the time, Chile was known to be postponing the Senate assembly proceedings-the final stage-after creating all the proceedings up to the second Senate assembly, putting forward as an excuse the delay of the Korean National Assembly's proceedings. In short, the Chilean lower house had passed the pact and was awaiting ratification in the upper house. In Chile, the ratification of the pact was always only a matter of time as they were ready to ratify it any time the Korean NA showed any sign of ratifying its agreement (Choi and Lee 2005: 5).

Table 3.1: Chronology of the Korea–Chile FTA

| Period | Main Issues |
|---------------------|--|
| November 1998 | Korea decides to pursue an FTA, selecting Chile as the first partner country. |
| November 1998 | The two countries agree to push forward an FTA at the APEC summit meeting in Malaysia. |
| April and June 1999 | High-level government official talks in Seoul and Santiago. |
| September 1999 | The two countries announced official negotiation start on an FTA. |
| December 1999 | First round of talks held, Santiago. |
| February 2000 | Second round of talks held, Seoul. |
| May 2000 | Third round of talks held, Santiago. |
| November 2000 | Both parties agree to work hard for an early settlement of negotiations, the Brunei APEC summit. |
| December 2000 | Fourth round of talks held, Seoul, Deadlock. |

Chapter Three

| | |
|-----------------------|---|
| June and October 2001 | Both parties agree to resume talks. |
| February 2002 | High-level meeting held to resume talks on concession, Los Angeles. |
| August 2002 | Fifth round of talks held, Santiago. |
| September 2002 | Two rounds of separate talks on concession on commodities, Geneva. |
| October 2002 | Sixth round of talks held, Geneva Agreement reached. |
| February 15 2003 | Both parties signed an FTA. |
| February 16 2004 | The Korea NA ratified the bill on its fourth try. |
| April 4 2004 | Took effect. |

** Source: MOFAT : http://www.fta.go.kr/user/fta_korea/kor_chile.asp?country_idx=11*

Why did Korea choose Chile as its first FTA partner?

The WTO's failure to launch a new round of trade talks in Seattle in 1999, a fear of exclusion from an FTA-discriminatory trading bloc and the outbreak of the Asian financial crisis all helped to catalyse Korea's decision to pursue FTA policy (Ong 2003: 58; Solis 2003: 380; Terada 2003: 264–266). What emerged from this cauldron of circumstances was a general consensus within Korean policy circles that FTAs would be crucial to Korean economic survival and competitiveness in a world of economic uncertainties¹. As discussed in Chapter Two, these circumstances tend to support an international/statist analysis.

In choosing a potential FTA partner, the Korean government diligently factored in as many facets as possible; For example; the market size for investment and trade, compatibility between the two parties, location, commitment to bilateral trade and political and economical factors were all carefully considered before initiating negotiations (Cheong and Lee 2000: 14–26). However, according to the gravity model² – which predicts bilateral trade flows based on economic size – Korea would have been better off establishing an FTA with Japan or China (Im 2005: 446; Park 2004b: 205–206). Korea's trade volumes with Japan and China – in terms of economic size and geographic distance – present greater advantages. From this perspective, choosing Chile

¹ Interview conducted with Kim Young-tae, a Deputy director of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005; Interview conducted with Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, in Seoul, on September 13th, 2005.

² Which uses GDP measurements and distance between economies to predict trade flows (Frankel *et al.*, 1997: 49–76).

Chapter Three

does seem somewhat puzzling because the Korea–Chile FTA is a typical example of an unnatural trading bloc, not only because an ocean separates the two countries, but also due to the fact that Chile’s economy is relatively small in comparison (Park and Koo 2007: 265).

The Korean government had sounded out countries that might have been interested in engaging in an FTA with Korea. Chile, Thailand, New Zealand, South Africa, Japan and Israel reacted positively to suggestions of an FTA with Korea. Due to the positive response received, the possible first partner country for an FTA with Korea was confined to one of these countries.

According to both the MOFAT (2003b) and the MOFE³ (2003)⁴, there were several reasons why Korea selected Chile as its first FTA partner. Firstly, the FTA would not adversely affect Korea’s agricultural sector (Kim 2003b: 155–156; Cheong and Lee 2000); the Korean government justified this assessment by indicating that major imported agricultural products, such as grapes, have different cropping seasons and that the import volumes were minimal (Kim 2002a: 294; Cheong 2001a: 24). The government’s initial speculation was that if the FTA’s effect on the agricultural sector – which had the potential to cause the most difficulties – was projected to be of minimal impact then Korea’s first FTA would be less likely to encounter difficulties, at least from the agricultural sector⁵. Secondly, before establishing any FTAs with larger trading partners, such as the US and Japan, Korea believed that Chile’s open trade policy and its rich experience in FTA negotiations would make the country an ideal candidate (Cheong and Lee 2000: 55–57). Thirdly, Korea could expand its market into Chile’s manufacturing sector; the high tariff and relatively low priced goods from other FTA countries (i.e. Canada & Mexico) made it difficult for Korea to maintain its market share and competitiveness. Government ministries assumed⁶ that the Korea–Chile FTA

³ In 2008, the Ministry of Finance and Economy (MOFE) and the Ministry of Planning and Budget (MPB) was merged into the Ministry of Strategy and Finance (MOSF) in order to put under one roof fiscal policy functions and inter-ministerial policy coordination. On the other hand, the MOFE’s authority on financial policies regarding the financial market was transferred to the Financial Services Commission.

⁴ MOFE (2003) ‘FTA as the Survival Strategy for Korea’s Economy,’ Policy Paper, 1–55.

⁵ Interview conducted with Cho Je-hong, Managing Director in Department of FTA Trade Policy-Making, MOFAT; Interview conducted with Son Chan-hyun, a senior researcher in KIEP, Seoul, October 29th and 31st, 2005.

⁶ Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005; Interview conducted with Lee Kyoung-hyun, director of Trade Policy Division in Ministry MOCIE, September 13th, 2005; Interview conducted with Cho Je-hong, Managing Director in Department of FTA Trade Policy-Making, MOFAT and KIEP Son Chan-hyun, a senior researcher conducted, Seoul, October 29th and 31st, 2005.

Chapter Three

would help towards removing such obstacles and place Korean firms in a position to compete with those from Canada and Mexico. Korean automobile and electronics manufacturers⁷ not only agreed with the government's arguments in favour of an FTA but they encouraged the promulgation of these views and actively supported the government's position during the agenda setting phase.

From Chile's point of view (Choi 2007a: 4; Kim 2003b: 155) Chile chose Korea because of the value it placed on Korea's close linkage (trade and otherwise) with neighbouring Asian countries, despite the fact that rules of origin would prevent Chilean exports from accessing a wider Asian market. A symbolic bridgehead, so to speak. More importantly, Chile wanted an FTA with Korea as it was estimated that eliminating tariffs would not have much effect as Korea's major industrial products were already dominant (see Table 3.2). Therefore, an FTA with Korea would not lead to a huge increase in imports from industrial products in Chile's market. Moreover Chile was aiming to eliminate tariffs of certain farm products and, consequently, was eager to negotiate an FTA with Korea. Importantly, the Chilean perspective was that certain farm products (i.e. grapes, apples and pears) were more competitive than their Korean counterparts.

Table 3.2—Korean manufactured goods' share of Chilean market

| Items | Share of Market | Ranking |
|-----------------|-----------------|---------|
| Automobile | 26percent | 2 |
| Auto-Battery | 38percent | 2 |
| Washing Machine | 66percent | 1 |
| Refrigerator | 31percent | 2 |
| Microwave | 69percent | 1 |
| Elevator | 50percent | 1 |
| Colour TV | 39percent | 2 |

**Source: Korea International Trade Association (KITA) as of 2000*

In summary, Korea chose Chile as its first FTA partner because of a perceived minimal effect on the agricultural sector, high complementarity in trade structure and the potential lessons to be gained from Chile's plentiful experience in regional trading agreements. Chile, on the other hand, chose Korea because Chile highly valued Korea's close linkage with neighbouring Asian countries – Chile could take advantage of Korea's trade linkage with Asia to widen Chile's market access to other Asian countries

⁷ Interview conducted with Yoo Jong-sun, one of the managing directors of Korea Automobile Manufacturer Association (KAMA), Seoul, December 2nd, 2005 and March 20th, 2007; Interview conducted with Jeun Young-jae, a senior research of Economic Research Department, Samsung Economic Research Institute (SERI), Seoul, September 23rd, 2005.

Chapter Three

– as well as the chance to open Korea's highly protected domestic agricultural market.

The dichotomy between the two countries' perspectives on agricultural markets eventually resulted in Korea having to pay a higher political and diplomatic tuition fee for its first FTA than it originally thought⁸. To put it another way – and using an explicitly societal approach – one of the most serious issues arising from the Korea–Chile FTA was the government's confrontation with the domestic farm lobby; in particular the ability of Korean farmers' organisations to muster their political weight in opposition to the government's FTA negotiations with Chile. Furthermore, the protests by farmers, instead of being limited to the grape growers directly hit by the negotiations, evolved into a nationwide farmers' movement through the forging of political alliances between organisations such as the National Federation of Farmers (NFF) and NGOs such as the CCEJ⁹ and a variety of consumer groups (consumer protection organisations, citizens associations, etc.).

Debate concerning distributional consequences

The Korea–Chile FTA resulted in much public discourse and debate concerning possible economic effects. Inevitably the debate reflected the positions of those who supported and those who opposed the FTA. Of those who supported the FTA from within the ranks of the government, the KIEP (1999) calculated the positive economic effects of the Korea–Chile FTA. Its estimate was an increase of \$660 million in exports and \$260 million in imports. Therefore, the trade balance would improve by approximately \$400 million (Cheong and Lee 2000: 54–56). Korea was also expected to see an annual improvement in welfare level by \$960 million (Kim 2001: 410). Deleterious economic effects on both sides would be minimised because Korea and Chile's industry structure were complementary; Chile exports raw materials while Korea focuses more on manufactured goods. The seasonal difference would also alleviate the concern of Korean agricultural sectors. Although fruit farmers were concerned about apples, pears and grapes, the seasonal differences would minimise the damage on the agricultural sector. Korea had no access to any FTAs, while if other countries were to establish FTAs, Korea's economy would annually fall by 1.33 percent

⁸ Korea Times (21/11/2002).

⁹ The CCEJ sent a petition against the Korea–Chile FTA to the MOFAT, On February 19th, 2001.

Chapter Three

and would incur a loss of \$34.4 billion in trade (Cheong 2001a: 30). For example, the market share of automobiles was on a rapid decline in Chile, from 28.3 percent in 2000 to 17.6 percent as of October 2003 (Park *et al.*, 2003: 23). In addition, market share of cell phones was also worrisome, as it continued to drop in Chile. The reality of the decline in market share may have been more complex, but fact is that this decline was defined by the FTA's supporters as the result of a lack of an FTA¹⁰.

Cheong (1999b) analysed the economic effects of a hypothetical Korea–Chile FTA by using a Computable General Equilibrium (CGE) model¹¹. Korea was expected to gain more from tariff elimination between the two countries. For example, preferential tariffs imposed by Chile on Canadian and Mexican exports through their respective FTAs were acting as barriers for Korea's export products, such as automobiles and tyres. In this regard, the ratification of a Korea–Chile FTA would provide Korean products with price competitiveness, enabling them to better compete with other countries in the Chilean market.

However, not all sectors agreed with the picture painted by the government. There were claims by the MOAF and the Korea Rural Economic Institute (KREI) (1999) that the Korea–Chile FTA would not be economically beneficial to Korea's agricultural industry nor would it generate much for the national economy. Agricultural organisations, such as The Korean Peasants League (KPL), the Korean Farmer's Cooperation Council Association (KFCCA), and the Korean Grape Association (KGA), suggested that investigations and economic calculations from certain governmental institutions, such as the KIEP, were not aware of the reality of the Korean agricultural economy and claimed that the amount of damage predicted was far understated. Also, the government's claim that seasonal differences between Korea and Chile would limit any damage to Korean agriculture was rebutted by the argument that with the development of the distribution of goods, seasonal differences had a minimal effect on production and consumption (Kim and Lee 2000: 56–73). Civic groups (CCEJ and National Minjung Association (NMA)) shared similar views regarding the FTA with agricultural coalitions. They both criticised the decision to choose Chile as the first FTA

¹⁰ Interview conducted with Lee Sang-ho, a director of Bilateral Economic Cooperation Committees, Korea Chamber of Commerce and Industry (KCCI), Seoul, November 24th, 2005; Interview conducted with Na Hyung-kun, a director of International Economic Research Department, FKI, Seoul, November 26th, 2005.

¹¹ The CGE model is a general equilibrium model that is used to estimate the re-allocation effects of the resources caused by the cross-sectoral reallocation of production factors, which the partial equilibrium is not able to deal with.

Chapter Three

partner rather than Singapore (which, they claimed, would not have resulted in the opening of the agricultural market)¹². Their second argument was that the Korean government focused on perceived (and possibly exaggerated) economic benefits while possible damage to the agricultural sector was underestimated (Oe *et al.*, 1999). Furthermore, the CCEJ¹³ criticised both the government's unwillingness to seek consensus and its top-down decision making process as anti-democratic and indicative of the influence the FKI had over government.

Identification of the key domestic stakeholders

Due to the nature of FTA's and their impact on society, there is an inevitable conflict of interest between those who stand to gain and those who stand to lose (or at least perceive themselves as losing) from such agreements (Grossman and Helpman 1995: 687). All groups who are affected by the terms of the agreement will attempt to exert influence on government negotiations or ratification. Those who stood to gain from the Korea-Chile FTA were the FKI (and their workers) that produced automobiles and electronic goods, and the losers were typically farmers (Kim 2001: 438–456). The government was accused of favouring industrial goods production over agricultural produce. In other words, the benefits of the FTA were unfairly distributed, thus fuelling political dissent and strong anti-FTA feelings among farmers and their supporters (e.g. civic groups). In this sense, the key domestic stakeholders were key ministries (MOFAT and MOAF) and the FKI who were to export their industrial goods to Chilean markets, the agricultural sector and civic groups.

¹² The primary concerns over the opening of the agricultural market in the Chilean FTA have remained. In the meantime, the success of the FTA between Japan and Singapore further provoked Korean farmers' criticisms of the government and civic groups, as they questioned why Korea had not also pursued an FTA with Singapore, rather than Chile. However, the reason an FTA has not happened with Singapore lies beyond the control of the Korean government; Singapore was simply more focused on developing the AFTA (Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005; Interview conducted with Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, Seoul, September 13th, 2005; Interview conducted with Cho Je-hong, Managing Director in Department of FTA Trade Policy-Making, MOFAT).

¹³ Interview conducted with Lee Jae-kyoung and Yeun Sung-min, one of senior members of CCEJ, Seoul, October 11th, 2005.

Supporters of the Korea–Chile FTA

Key government Ministries

As has already been mentioned (see Chapter Two), MOFAT plays a very important role in devising trade policy. Also, MOFAT routinely exchanges views and shares economic and trade information with leading business groups, such as the Korean Chamber of Commerce and Industry (Kor–Cham), the FKI and the Korean Federation of Small and Medium Businesses (KFSMB)¹⁴. MOFAT has operated 16 trade policy and private–sector advisory groups since 1998, which receive views on trade policy direction and strategies in sectors such as agriculture, automobiles and telecommunications. During the Korea–Chile FTA (and the Korea–US FTA), these affiliations gave the aforementioned advisory groups a very important role in the agenda–setting phase of the FTA process.

On the other hand, MOAF maintained close contact with Korean agricultural interests and saw its primary task as protecting the welfare of Korean agricultural producers engaged in import–competing agricultural production¹⁵. The MOAF presented opposing views on Korea–Chile FTA development. The MOAF did not have a particularly strong antipathy towards the FTA but its predilection was to look after the interests of the agricultural sector and therefore felt it necessary to offer some opposition¹⁶. In short, MOAF's opposition can be described as a combination of its predilections and the influence of agricultural interest groups.

The FKI

Although the FKI understood that the distributional consequences were in their favour and were supportive of the agreement, they were far from vocal in this support. The FKI were not looking at this FTA purely in terms of short term economic gain but in terms of what future bilateral trade policies might hold (Kwon 2003; Park *et al.*, 2003: 7–25). Milner (1997b) claimed that support from endorsement groups and the

¹⁴ Hankyoreh Daily Newspaper (10/05/1999).

¹⁵ Interview conducted with Youn Jang-bae, Assistant Minister for International Trade and Cooperation in MOAF, in Seoul, October 17th, 2005.

¹⁶ Interview conducted with Lee Sung-chun, Vice-minister of MOAF, Seoul, September 27th, 2005.

Chapter Three

levels of their support were very important in helping to close the NAFTA. In contrast to this, the FKI who supported an FTA with Chile, were not very enthusiastic in supporting the government during the negotiation phase, despite being quite active during the agenda-setting and ratification phases. There are three reasons for their lack of active, public support during the negotiation phase. First, Korean market share of exports to Chile were already quite high (see Table 3.2), therefore the Korea–Chile FTA would have a minimal impact on increasing this market share¹⁷. Second, they were of the understanding that the government was using the Korea–Chile FTA as a ‘testing ground’ for future FTA policies and that it was going to have a relatively easy passage through to ratification. Subsequently, they viewed it as less important than possible future FTA’s and, hence did not feel a great need to vigorously support the government. Third, there was the possibility that vocal support could spark anti–Chaebol sentiment (Cheong 2005a), such as launching a large scale economic boycott of goods from FKI members (e.g. Doosan large corporation)¹⁸ led by civic groups or agricultural worker bodies. As a result, the FKI came to the conclusion that the benefits from the FTA with Chile were not substantial enough to take a stand against the vehement opposition the agreement was receiving (Choi and Lee 2005).

The lack of open support during the negotiation phase had the effect of increasing the Korean government’s vulnerability to opposing groups. This emphasises the state’s vulnerability to strong domestic opposition when attempting to execute policy initiatives, thus providing a role for domestic stakeholders in shaping FTA policy outcomes. In comparison, this ostensibly lackadaisical attitude stands in sharp contrast to their rigorous support during the negotiation phases of both Korea–Japan FTA and Korea–US FTA.

¹⁷ The FKI made a survey, called ‘Opinions of Korea’s large corporations on the FTA’ on 53 corporations under the FKI (September 2005). In this investigation most corporations (94.3 percent) answered that Korea should go forward with the FTA. However, when it came to the question of which country, answers were for China 42.8 percent, for the US 36.5 percent, for Japan 7.9 percent, for Mexico 6.4 percent, and for Chile 1.6 percent which was the lowest. As this investigation shows, Korean corporations were supportive of the FTA itself but were not very much in support of Chile as the first partner country, in comparison with the Korean government.

¹⁸ The most remarkable case was in 2002, when Doosan company owner Park Yong-sung (Chairman of KCCI) expressed support of the Korean–Chile FTA and in turn, a public boycott was issued against consuming the company’s (and Korean’s) main alcohol beverage product - Soju.

Opponents

Agricultural sectors

According to the KREI's report (1999), a Korea–Chile FTA would damage Korea's agricultural industry and would fail in generating much for the national economy. Moreover, agricultural organisations, such as the KPL, the KFCCA, and the KGA, suggested that investigations from certain sectors of the government, such as the KIEP, were not sufficiently aware of the relevant agricultural socio-economic background to estimate the potential impact an FTA might have on the agricultural sector. Also, regarding the government's claim that the climate differences between Korea and Chile would lead to less damage on Korean agriculture, it was rebutted on the basis that with the development of the distribution of goods, climate hardly affects production and consumption. The opposition from agricultural bodies can be described in three phases (See Table 3.3). Furthermore, these three phases correlate to how the agricultural sector overcame its collective action problems and in so doing, describes the channels of influence that were most effective for them.

The first phase in opposing the FTA consisted of getting a hundred thousand signatures from the public, under the lead of grape and apple producers who opposed the FTA for quite specific reasons (i.e. the opening of the Korean fruit market).

Groups consider how the public views an issue before selecting a lobbying tactic. When more attention is drawn to an issue, some groups may be more successful bringing an issue onto the government's agenda or increasing the level of importance ascribed to an issue on the agenda (Victor 2007: 831). Berry (1997: 121-122) also notes that groups spend many resources in an attempt to educate and persuade the public so that NA and elected politicians will be forced to pay attention to an issue.

The main issue at this stage was the exclusion of apples and grapes from the negotiations. The second phase was a broadening of this single issue to one which concerned the entire farming community. This was aided by framing the issue as a question of globalisation, i.e. opening Korean agricultural markets to foreign competition. The opposition movement had now passed from the relatively few hands of concerned fruit farmers to huge farming bodies such as the KPL and the KFCCA

Chapter Three

(approximately ten thousand participated in a demonstration at Yeouido July 2001¹⁹). The main issues of the second phase were ‘the suspension of Korea–Chile FTA’ and ‘opposing the importation of rice’. The point of dispute was, thusly, greatly expanded from the original issues concerning fruit farmers (Yu 2002: 190).

Alliance with civic groups

The third phase expanded the debate to include civic groups and initiated a social campaign organised partly by NGOs, including the CCEJ, the NMA. By this stage, the opposition had evolved from fruit farmers arguing against Chilean imports into sections of Korean society²⁰ opposing all international trade treaties based on a commonly perceived threat from a destructive idea, that of globalisation. This wave of support for the opposing groups had an inevitable impact on the government, particularly during the negotiation phase, a perfect example of “organisational power” as elaborated in ‘the three key structures of channels of influence’ in Chapter Two.

Table 3.3: Evolution of opposition

| | First phase | Second phase | Third phase |
|-----------------------|---|---|--|
| Main acting group | KGA. National Apple Association. | –KPL. –Korean Advanced Farmers Federation (KAFF). | –NPL, NGO (CCEJ, NMA, and labour unions. |
| Major political issue | Exclude apples and grapes from negotiation. | –Expansion into an agricultural issue. –Suspension of Korea–Chile FTA, opposition to import of rice. | –Expansion into WTO and open market issues. –Opposition to FTA, WTO and Korea–US BIT. |
| Major action | Petition with hundred thousand signatures (2000). | Demonstration of ten thousand at Yeouido (2001). | Nationwide movement. |

Resistance from the agricultural bodies placed the government in an invidious position, particularly when MOAF disagreed with the government and publicly stood with the anti–FTA alliance (Ahn 2003a: 60–61). The MOAF and National Agricultural Cooperative Federation (NACF) demanded the suspension of the negotiations. They recommended that the government suspend its FTA negotiation with Chile until after 2005 when the WTO was due to finalise the new Doha round of global trade talks. Otherwise, the MOAF argued, the agricultural sector should be excluded from talks

¹⁹ JoongAng Daily Newspaper (20/07/2001).

²⁰ This opposition was partly enabled by the five million people of rural extraction who live in cities and were raised with certain values and attachments related to their rural background.

Chapter Three

with Chile. One of MOAF's key negotiators²¹ highlighted their ministry's position before the fifth negotiation meeting thusly:

“[MOAF] prefers to pursue an FTA with Chile only after the WTO maps out a broad picture for freer global trade under the Doha round framework by the end of 2004.”

Based on this background, the next section will analyse why pro-FTA and anti-FTA groups each took their respective positions.

Rationales for positions the FTA – supporters and opponents

Trade policy (such as FTAs) affects the distribution of wealth within the domestic economy, raising questions of who gets what and what they can do about it politically. While there are many interest groups, there are only two camps to which they can belong; those who support trade policy and those who object. In the case of the Korea–Chile FTA, the main interest group favouring the FTA was composed of manufacturers (the FKI), while the anti-FTA group was mostly made up of farmers' organisations. What follows here is an analysis of supporting and opposing rationales.

Supporting rationale

Much of the literature is in agreement, declaring that the rush towards PTAs is largely the result of frustration with how multilateral trade liberalization under the auspices of the WTO had become dreadfully slow and opaque and a *defensive* response to the signing of PTAs by some of the world's largest economies and trading blocs (Ravenhill 2005: 301; Okamoto 2003; Weintraub 2003: 9). The defensiveness noted here is important in that it indicates that some countries have adopted PTAs for reasons other than proactively seeking economic positive effects--for example, out of a desire to avoid highly costly trade diversionary effects, and to maintain current market share with existing trading partners (Lloyd 2002; Gruber 2001).

In this regard, the grounds and justification for FTA promotion set forth by the government and groups representing the FKI can be traced back to a fear of national

²¹ Hankyoreh Daily Newspaper (25/11/1999).

Chapter Three

loss that could occur should Korea not adapt to the growth of FTAs worldwide (Koo 2006 140–141; KIEP 2004; Cheong 2001b: 19–26). A traditionally export-oriented economy, Korea feared that failing to correspond to the globally spreading FTAs would reduce relative export market size and increase opportunity costs (Lee 2007b: 105; Kim 2004b: 65). Thus, it was asserted that procuring stable export markets was of vital interest to the future of Korea's economic growth in becoming a fully developed economy, and that FTA proliferation was an inevitable force (Hwang 2001: 7–13). Faced with rapid changes of international and domestic economic circumstances, the only feasible means to invigorate competencies of the troubled industries were fundamental and massive restructuring, encouraging foreign investment, and early reformations of political economic regimes (Sohn 2001a; 2001b: 5). It was the government's perception that FTA strategies could contribute greatly to both domestic reforms and the securing of export markets²². According to Krasner (1978) each state will pursue foreign economic policies that reflect domestic economic needs and external political conditions without much thought for domestic stakeholders. While this may be true in a general sense (i.e. the state deliberately pursuing a pro-FTA agenda), the specificities are that domestic stakeholders can have a large role to play in how the government achieves FTA outcomes.

Key government Ministries

Although not all ministries agreed on each detail concerning the FTA²³, with the exception of the MOAF, they favoured the agreement in general. It was also generally agreed that an FTA was necessary to invigorate foreign investment and access to overseas markets. Moreover it was thought that an FTA would also allow consumers to gain access to high quality goods from overseas markets at an affordable price. The MOFAT, especially, was the first to express the need for a bilateral FTA after the 1997 financial crisis (Byun 2001: 44), as sources of foreign exchange capital were needed and ways to increase exports were being sought. The government was also aware that

²² Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005; Interview conducted Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, Seoul, September 13th, 2005.

²³ For example, MOCIE did not agree with MOFAT in who to choose for a first FTA partner. Interview conducted Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, Seoul, September 13th, 2005.

Chapter Three

there would be resistance to any reforms, considering how tentative the financial and social situation was in Korea at the time. In light of these conflicting circumstances (i.e. the need for reform and a nervous public wary of too much change), the government chose to adopt an FTA with Chile in the hope of pushing through reforms and simultaneously avoiding having to confront with detractors publicly over these same reforms.

It can be argued that the government's aim was as much to reform domestic trade policies as to gain actual economic benefits²⁴, or killing two birds with one stone. Consequent to these reforms, it was expected that trade and investments would increase and the economic exchange between the two countries would bring about further access to South American markets. The MOCIE also felt that, in the case of the Korea–Chile FTA, there was no need to be concerned about possible losses in domestic industry, as Korea would be able to increase exports of industrial products (Cheong 2001a: 25–26). In either case, according to supporting government ministries, most of the imports from Chile would be raw materials and agricultural products. The MOCIE's remit was, significantly, regulation of products that were to benefit. Needless to say, it supported the Korea–Chile FTA²⁵.

Large corporations

The FKI pointed out that the more disadvantages Korean companies faced, the more their global competitiveness would suffer and that if Korea refused to engage in bilateral trade agreements, this lack of competitiveness would only be exacerbated²⁶. Indeed, Korean industries had already paid dearly for the opportunity costs in exporting to non-FTA partner countries²⁷.

Korean product exports to Chile provide several related instances. Korean auto

²⁴ Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005; Interview conducted Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, Seoul, September 13th, 2005.

²⁵ Interview conducted Lee Kyoung-hyun, director of Trade Policy Division in MOCIE, Seoul, September 13th, 2005.

²⁶ For losses caused by non-tariff barriers (NTBs) and government regulation to a country without FTA, further details, see Lee and Chun (2005) 'Korea-Japan FTA non-tariff barrier and damaged industries.'

²⁷ Interview conducted Lee Sang-ho, a director of Bilateral Economic Cooperation Committees, KCCI, Seoul, November 24th, 2005; Interview conducted with Na Hyung-kun, a director of International Economic Research Department, FKI, Seoul, November 26th, 2005.

Chapter Three

and tyre exporters complained that they were having difficulties competing in the Chilean market because of Chile's FTAs with Mexico and Canada (Ravenhill 2004: 60). The FTA concluded between Mexico and Japan in April 2005 further afflicted Korean manufacturer's exports. It was reported that about 22 percent of Korea's overall exports to Mexico competes with or is at a comparative disadvantage to Japanese goods (Huh 2004: 15). In addition, Mexico has only invited companies from FTA partner countries to tender for its government's massive construction projects (Huh 2004: 3–10). Furthermore, 13 container ships carrying Korean automobile tyres for export had to return as Mexico increased tariff rate on the tyres from non-regional and non-FTA partner countries in 2006 (Oh 2004a: 165). Similar incidents took place in other countries as well. The US exempted Mexico and Canada from the protective measures it placed on US steel products, leaving Korea, one of the world's most prominent ship building countries, at a disadvantage (KOTRA²⁸ 2004). The circumstances concerning exports aggravated other areas as well (e.g. Brazil and European countries reinforced standard inspections on products from non-FTA partners, such as Korea).

In a similar vein, the FKI industries involved in the manufacture of automobiles, cellular phones, elevators and most electric home appliances were hoping for considerable increases in their exports with the Korea–Chile FTA. For example in Chile, these products made in Korea were competing fiercely against Canadian, Mexican and Japanese products for a greater market share (Cheong 2005: 33). If the Korea–Chile FTA were to succeed, then Korean manufacturing industries would be elevated to a more competitive market position while at the same time opening the policy door to further FTAs.

In summary, overall supporters' policy preferences towards FTAs were, broadly speaking based on a defensive response. Key ministries largely focused on FTA policies as an inevitable tool for not only overcoming the Asian financial crisis but also for reforming the Korean economy and addressing an increasing lack of competitiveness that was feared should Korea exclude itself from FTAs.

²⁸

Korea Trade-Investment Promotion Agency.

Opponents' Rationales

Agricultural coalitions

The key industry that was most likely to be hit hard due to the FTA was the agriculture industry, or more specifically, fruit farms. It was predicted that grape growers would suffer the most among farmers. According to Ahn (2003a: 65), fruit farming products other than grapes would not be affected as much due to the already occurring import activities from the US and New Zealand. Despite projected limited forecast, the groups that came to lead the anti-FTA protests were nationwide farmers' organisations. Their main concern was that Korea–Chile FTA would be 'the starting point' of many other FTAs which in turn, would gradually open the Korean agricultural market²⁹. They were afraid that a series of FTAs would destroy the farming industry. They also argued that the FTA with Chile was not necessary since it would not create much of an economic benefit to Korea due to the relatively small size of Chile's Gross National Products (GNP). Farmers instinctively related to the Korea–Chile FTA as the thin edge of a wedge that would introduce more FTA's which would, in their turn, weaken the farming industry still further (Choi 2004a: 20–25).

Using this background, agricultural opposition can be broken down into four distinct analytical parts. Our first analysis of the standpoints of both supporters and opponents relates to unequal income distribution that an FTA can cause. Korea's FKI member industries are competitive in Chile's market, while agricultural industries are not (Oe *et al.*, 1999: 3–5). This follows the basis of Ricardo's theory of comparative advantage. This explanation is also supported by the Stolper–Samuleson theory (see the Theory Chapter), which helps explain why some domestic groups are free trade oriented and other groups are protectionist. In this regard, Rogowski (1989) also argues that trade coalitions form in the shape of broad factor–owning classes to anticipate broad-based conflict among owners of land, labour and capital in trade politics.

The second analysis pays attention to the level of factor mobility, in particular, Korea's agricultural industry. Their factor mobility levels are low (Sung and Jeon 2006: 150). In Korea's agricultural industry, the movement of requisites for production is very

²⁹

Interview conducted with Park Jun-young, a leader of the NPL, Seoul, February 3rd, 2007; Interview conducted with Lee Hae-young, one of the co-leaders of the KoA, Seoul, February 2nd, 2007.

Chapter Three

low. Firstly, the rate of agricultural workers moving into non-agricultural jobs is minimal. Moreover, the aging population in agricultural districts means that 94 percent of Korea's current agricultural workers are in their forties, and 51 percent of them are over sixties (Yu 2006a: 80–81). However the rate of agricultural workers moving onto non-agricultural jobs is 3–6 percent in their twenties, but this falls to only one percent in their forties (Kim 2004c: 3). Furthermore, the limited changes to move into non-agricultural industries and the education and skills needed in these jobs make it all the more difficult for agricultural workers to move into other industries (see Theory Chapter, factor mobility). These circumstances show that Korea's agricultural industry is extremely sensitive to any competition from FTAs and, concomitantly, this vulnerability can manifest itself as opposition to free trade given the right conditions.

Our third analysis uses Hathaway's argument (1998) as a prism. He proposes that the potential benefit of voice (i.e. demonstration) and the perceived chance of success are the two key determinants of the trade policy strategies for producer groups. In this regard, agriculture's major motivating reason was to claim a bigger slice of compensation like side payments, for example. The result was fairly in their favour.

The most important are capital intensity, trade dependence, and factor specificity (Hathaway 1998: 580). The perceived chance of success is the expected probability that an industry will be successful in its efforts to obtain protection. It depends on the receptiveness of the administration and Congress to protectionist arguments, the size of the industry, the level of industry distress, and the past success of similar efforts. Based on his analysis (1998: 583)³⁰, Korea's agricultural industries could be type IV³¹ (Type IV industries are those for which the costs of pursuing protection are outweighed by the benefits). These industries are the most protectionist and will consistently choose voice over adjustment.

³⁰ I apply Hathaway's analysis to Korean agricultural industry.

³¹ Type I industries are those for which the costs of pursuing protection outweigh the benefits. They will choose to adjust rather than pursue protection in either the administrative or legislative arenas. For these industries, both the benefits of obtaining protection and the perceived chance of success are low. Type II and type III industries may choose voice or adjustment or some combination thereof. Finally, type IV industries are those for which the costs of pursuing protection are outweighed by the benefits. These industries are the most protectionist and will consistently choose voice over adjustment (Hathaway 1998: 583).

Chapter Three

Table 3.4: Characteristics of Four Industry Type
Korea's Agricultural Industries

| | |
|--|---|
| Potential benefit | |
| <i>Capital Intensity</i> | L |
| <i>Trade Dependence</i> | L |
| <i>Factor Specificity</i> | H |
| Chance of Success | |
| <i>Receptiveness of administration</i> | H |
| <i>Receptiveness of the NA</i> | H |
| <i>Size of industry</i> | H |
| Past success | H |

While the above analyses are related broadly to economic factors, the final analysis is one of psychology, or more specifically, farmers' psychological reactions. Farmers believed that the FTA with Chile was the beginning of a wider opening of the agricultural market. From their perspective, an FTA with Chile would invite other countries, including the US and other strong agricultural producing countries, to ask for access to the Korean agricultural market. The central argument here is that the FTA with Chile was not just about the opening up of the Korean agricultural market (nor was it just apples and pears), but the viability of Korean agriculture in the face of international competition. Along with farming organisations, civil organisations³² – who opposed liberal economic policies based on economic globalisation – joined the opposition coalition. Both groups believed that the liberalisation of the economy would only serve the interests of foreign and transnational capital at the expense and autonomy of the Korean economy. For them, an FTA was one form of trade liberalisation and along, with financial liberalisation, would cause the Korean economy to develop a dependence on western economies. The key personnel of civic groups (CCEJ and NMA) occasionally worked for interests groups (outside of civic groups) as advisors and, as such, their intellectual influence was often augmented by mutual association through civil society groups.

In summary, the main reasons behind opponents' attitude to FTAs is that they interpreted the FTA as a face of globalisation which they opposed for four reasons. First, they opposed it on the grounds of increased competition, second, unequal income distribution was anticipated to be the result of any FTA, third, low factor mobility in farming would have made alternative employment difficult and/or less profitable, and finally, the sought the potential benefits of voicing their opposition (i.e. gaining side

³²

They were The KPAFW, CCEJ and Korean Catholic Farming Organisation (KCFO).

payments).

In this section, we have analysed the rationale of Korea–Chile FTA's supporters and opponents. We will now focus on how they influenced the overall Korea–Chile FTA processes (Agenda–Setting, Negotiation and Ratification phase).

The three phases to an FTA are as follows; 1) agenda-setting, 2) negotiation and 3) ratification.

The agenda-setting phase

This phase can be defined as a devising of new policy or a reforming of old policy. For example, policy makers' recognition that a problem exists creates an opportunity to turn an idea into a credible solution (Mundo 1999: 19). When the Korean government endured the Asian financial crisis and witnessed FTAs mushrooming across the globe, the government recognised FTAs as a possible economic policy tool. The agenda-setting phase is usually dominated by policy makers due to the reality that it is their decision whether to consider an FTA or not. In the Korean case this also holds true, as can be seen by the involvement of MOFAT in initiating and dominating this early phase.

The analysis in the previous chapter of channels of influence and the three phases of an FTA process helps to explain the context in which domestic stakeholders wield influence during the three main phases of an FTA process. Clearly, groups (i.e. domestic stakeholders) are strategic actors. They have limited resources and seek to maximise the impact of their actions. Groups also make strategic decisions on how to influence based on information on the targets of their lobbying, their own group characteristics, the characteristics of other groups lobbying on the issue, and the characteristics of the policy they seek to influence (Victor 2007: 829).

It is hardly surprising that these domestic stakeholders utilise what channels of influence are available when the circumstances allow (Ehrlich 2008; Baldwin and Robert-Nicoud 2007; Damania *et al.*, 2005; Mundo 1999; Alt and Gilligan 1994; Grossman and Helpman 1994; Trefler 1993).

During the Korea–Chile FTA, the agenda setting phase was dominated by MOFAT and large corporations. The negotiation phase was dominated by opponents

while the ratification phase began in favour of opponents but was eventually dominated by supporters. Even though the Korea–Chile treaty was eventually ratified, it would be wrong to suggest that this was a victory for those who supported the FTA from the beginning. A truer reflection would be to say that although the FTA passed all three phases, the final agreement included accessions to key domestic stakeholders who opposed the agreement. A further analysis of this based on ‘the three key structures of channels of influence, and their relative importance to each other, will be offered in the next section.

Agenda–Setting phase

Supporter’s victory

In the aftermath of the unprecedented 1997 financial crisis, the Kim Dae-jung administration had to make fundamental adjustments to Korea’s trade policy. Up to that point, Korea’s key export market had been heavily dependent on the US and Japan. Kim’s administration’s aim was to diversify Korea’s export market (Lee 2005a: 284–290). From this base, the government reformed the Ministry of Foreign Affairs into MOFAT so as to comprehensively coordinate foreign policy on trade and trade negotiations. Moreover, MOFAT also has executive powers to formulate FTA policies. Other ministries are involved according to their spheres of responsibility. MOFAT, as its name suggests, is the key agency managing foreign affairs and trade in Korea, although it normally works with FTA-related divisions in other agencies such as the MOFE, MOCIE, MOAF, national policy research organisations and carefully selected civil organisations. It therefore plays a more significant role than other agencies in foreign economic policy formulation: while there is a division of labour; external negotiation (level 1 based on Putnam’s two level games) is carried out by the MOFAT and internal negotiation (level 2) is coordinated by the MOFE. However, not only was MOFAT a visible actor in support of the FTA, the ministry was also targeted by opponents³³. MOFE did not want to be a visible actor even though it was in charge of

³³ Interviews conducted with Lee Mi-hyun, the head of multilateral trade cooperation division in MOFAT, Seoul, August 14th, 2009.

Chapter Three

domestic negotiation³⁴. Furthermore, the media also focused on MOFAT rather than other ministries.

When Chile was chosen as the first FTA partner-country, there was only one dissenting voice among government ministries. MOAF opposed MOFAT's initiative. FTA policy formulation was dominated by MOFAT without much hindrance despite MOAF's opposition (Park and Koo 2007: 268).

Furthermore, the government had strong backing from the FKI. They continued to express their concern over losing their competitiveness in Mexico and Chile due to the discriminatory nature of FTAs. The FKI pressured the government to start negotiations without delay³⁵. They used these formal channels (IPI) to address their concerns directly to the government.

Supporters of the FTA can be split into two non-arbitrary groups, private (large corporations) and public (MOFAT and supporting government agencies). It is important to note the distinguishing line between them in order to analyse the channels of influence supporters had access to. The FKI used MOFAT itself as a channel of influence, despite the fact that MOFAT was also a supporter of the FTA. MOFAT played a dual role during the FTA process, acting as both supporter and channel of influence. Naturally, neither the FKI nor MOFAT wanted opposition groups at the table during this phase. This helps to explain two important facets of the agenda setting phase; 1) why the agenda setting phase was so dominated by the FTAs supporters and 2) why only formal channels were utilised at this early phase. This exemplifies prime key structure, "power to influence political institutions" (the FKI's influence on MOFAT). Due to the lack of information in the public arena, opponents of the FTA were not aware that the agenda setting phase was in progress. This lack of information and consequent lack of organisation impeded any coherent and effective opposition. Civic groups had concerns from an early stage, particularly over choosing Chile as an FTA partner but they also suffered from lack of information. It would be fair to say that MOFAT chose to obfuscate the agenda setting phase in order to avoid any disagreements over what the agenda was going to be. The negotiation phase, however, was a different kettle of fish.

³⁴ Interview conducted with Kim Sun-min, a member of FTA Promotion & Policy adjustment Authority division, October 2nd, 2009.

³⁵ Interview conducted with Na Hyung-kun, a director of International Economic Research Department, FKI, in Seoul, November 26th, 2005.

Negotiation Phase

Supporters

Following roughly a year of successful agenda setting by the Korea–Chile FTA supporters, negotiations began in September 1999. A hubristic sense of accomplishment settled on the FTA’s supporters once negotiations began, which was to have consequences for all involved during the latter stages of the process. Although there was broad support for the agreement among government ministries (excluding MOAF), issues which had not been resolved during the agenda setting phase began to appear as fissures during the negotiation phase. In order to elucidate this point, let us look at two examples of this friction among government ministries. First, ministries had different standpoints in relation to the level of financial incentives offered to the agricultural sector to persuade them to adopt a more pro–FTA stance. A survey carried out on government employees on this matter predicted tension between the two main groups on how much support should be given by the government; for instance, the MOFAT and the MOCIE³⁶ went for 77 percent non–monetary support whereas the MOAF went for 56 percent of monetary support from the government (Ahn 2003a: 70). According to White (1986), the ‘tug of war’ between interests is understood not as the rational choice of a unitary government but the result of bartering between key ministries. This argument would be categorised as supporting the bureaucratic politics model of the statist approach. Second, one of the last points to be disputed during the negotiation phase³⁷ was related to the financial sector. The MOFE was concerned that the MOFAT was rushing to conclude the FTA for the sake of coming to an agreement (as opposed to negotiating for a comprehensive deal that would benefit all sectors of the Korean economy). Specifically, MOFAT refused to have the Korean financial sector on the table for discussion despite MOFE arguing stringently that it should be, as Korea’s

³⁶ President Lee Myung-bak took office in 2008 and merged MOCIE with elements of the Ministry of Information and Communications, the Ministry of Science and Technology, and the Ministry of Finance and Economy. The resulting body was an enhanced government instrument capable of meeting new challenges of the 21st century: the Ministry of Knowledge Economy (MKE).

³⁷ During the 6th negotiation (October 18th ~ 21st, 2002), an agreement was made on the negotiations for Korea’s agricultural products which had been the deal breaker till then, when finance services came up as a point in dispute. Chile, like Korea had gone through a foreign exchange crisis and was reluctant to open finance markets. Therefore the 6th negotiations were broken off. Finally, Korea agreed to exclude negotiations on finance until further negotiations after four years, thus reaching an agreement.

Chapter Three

financial sector was more competitive than Chile's³⁸.

This fractiousness was not confined to government ministries. What appeared to be a blessed union between the FKI and government ministries was to display its own weaknesses during the negotiation phase. By the time the negotiations began both MOFAT and the FKI had come to certain conclusions about each other. MOFAT concluded that the FKI would engage in active, public support for the FTA, while the FKI were under the assumption that the FTA was something of a done deal. It is noteworthy that the Korean business sector was lukewarm and even critical of having the FTA with Chile, while they embraced the necessity of making FTAs (Choi & Lee 2005: 10)³⁹.

When the mistakes in their assumptions arose it was too late to change the tide of battle during the negotiation phase. The government had worked well with the FKI during the agenda setting phase and had presumed on their continued support. In actual fact, the FKI pushed hard for a conclusion to the agenda setting so that an FTA could be put into place as soon as possible, thus MOFAT expected a strong level of support for the agreement. However, neither expected the level of opposition to the FTA which occurred (Ahn 2003a: 60–61). Their projections led them to conclude that the agreement would have a minimal impact on the agricultural sector⁴⁰.

However, this is not to say that the FKI sat on their hands during the negotiations. In July 2002, the Korean Automobile Manufacturers Association (KAMA) filed a petition that urged its government to conclude the final round of FTA negotiations with Chile sooner rather than later. The KFI cooperated with MOFAT and MOCIE, providing economic data which demonstrated that the FTA would help boost the Korean economy and bring not only cheaper fruit prices for the general public but would simultaneously protect the income of Korean fruit farmers by importing from a country (i.e. Chile) with southern hemispheric seasonal differences. The most enthusiastic organisation in its support of the FTA was Korea International Trade

³⁸ A high official of the MOFE complained, '[i]f the FTA reaches an agreement, the scale of trade to increase greatly so naturally there will be problems on establishing more financial institutions and liberalising monetary exchange. Therefore this agreement has no meaning if negotiations on financial areas are totally excluded' (JoongAng Daily Newspaper 19/10/2002).

³⁹ According to a survey, conducted by FKI in September 2000, 94.3 percent of respondents agreed with the idea of FTAs. As for the ideal FTA partner, China was the highest with 42.8 percent, followed by the US with 36.5 percent, and Japan with 7.9 percent. Chile only garnered measly 1.6 percent. Reflecting this mood, the business sector remained rather silent throughout the ratification process (Choi and Lee 2005: 10).

⁴⁰ Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul, September 12th, 2005.

Chapter Three

Association (KITA). It strongly supported the government's steps in coming to an agreement on an FTA with Chile and appealed to the government to finish the FTA with Chile post haste. Informally, each group met with key policy makers and politicians to deliver their support for the FTA.

Furthermore, they adopted and deployed another key structure of influence, "public influence"; a media campaign (in particular using conservative newspapers: Chosun, Dong-A and JoongAng Daily News Paper) to publicise the necessity and inevitability of an FTA with Chile. However, all of this support was, in a sense, private or hidden from view. Even the media campaign kept the guiding hand of the FKI from full view.

But what irked the MOFAT was the fact that the FKI were not vocal enough. What the MOFAT failed to consider were the FKI's sensitivities regarding the anti-chaebol movement. This movement has had a strong undercurrent throughout Korea's recent history and the FKI were wary of agitating any opposition with anti-chaebol predilections (Lee 1998: 73–74; Kwon 2002: 23–25). Furthermore, the MOFAT completely underestimated the potential for domestic resistance and how easily the anti-chaebol movement would raise its head.

A combination effect was to take the wind from the sails of the supporters. This internal fractiousness prevented a coherent alliance and expression of will during the negotiation phase which combined with an unwillingness on behalf of the FKI to publicly stand full square behind the agreement. The lack of cohesion and public support handed the initiative to the FTA's opponents. Looked at through the paradigm of structures of channels of influence, the failure of the FTA's supporters to harness sufficient "organisational power" and, concomitantly, "public influence" resulted in their less effective use of this channel of influence.

Opponents

In comparison to the FKI and the MOFAT, who relied virtually entirely on formal channels, opponents of the Korea–Chile FTA resorted to more of a mixed bag, using all three key structures of channels of influence. An important question is; why was this so? One of the main reasons behind this predilection was that only specific types of informal channels (i.e. public demonstrations, civil disobedience, etc.) could

Chapter Three

raise public awareness of the issue as opponents saw it which in turn would ensure a more emotional and negatively charged debate, thus accessing “public influence” as a channel of influence structure. As an inevitable reaction to this, the government would have to pay more attention to what the FTA’s opponents had to say. Another reason for the reliance on informal channels was that their access to more formal channels was limited by the fact that most government ministries stood behind the FTA, with the unique exception of MOAF.

Influence of Political Institutions

One of the more effective means utilised by the agricultural groups was to use a certain formal channel-power to influence political institutions which ran through political gatherings and councils held by the MOAF⁴¹. In order to draw up the FTA framework proposal, the MOAF held many policy consultation meetings and frequently invited farmers’ organisations to express their views. These meetings helped revise the framework proposal several times on the basis of farmers’ demands. Besides the Ministry’s openness towards farmers during the framework proposal process, it also continuously defended Korean farmers’ interests and position when negotiating with the Chilean government. Farmers’ organisations usage of this channel occurred mainly during the time when the Korean government was preparing its framework proposals during the third round of negotiations. Leading the Korean farmers’ interest was the KFCCA⁴² which – along with many other farmers’ associations – communicated their demands both directly and indirectly to the MOAF. The ministry’s efforts in protecting farmers’ interests were constructive and effective. By submitting petitions and recommendations to the Ministry, the KFCCA were able to effectively place their demands (i.e. that apples and grapes were to be excluded from the negotiations) straight onto the negotiating table. Although the MOFAT and the MOFE had reservations concerning the MOAF’s consistent position on the tariff free exception issue⁴³, there

⁴¹ At these gatherings and council meetings many groups were present, such as: agricultural groups, the NACF, civic groups, primary producer groups such as the National Grape Council (NGC) and investigative organisations for government policies, such as KIEP; where offers were put forward and opinions exchanged.

⁴² The KFCCA consisted of 21 different groups, such as the KGA and Korean Pork Association (KPA). It represented somewhere between 80-90 percent of Korean farmers.

⁴³ Interview conducted with Kim Young-tae, a leader of Economic Cooperation Bureau, in MOFE, Seoul,

Chapter Three

was little they could do about it.

According to Yu (2006b; 2002), the MOAF's opposition to the Korea–Chile FTA was rooted in its opposition to the opening of the agricultural market to foreign competition rather than any influence the agricultural sector may have had over the ministry. Furthermore, the ministry went as far as to use farmers' opposition as a justification of their position and were only happy to allow the farmers' organisations to take the front line in opposing the FTA. The reason MOAF was happy to see them take this position was due to their reluctance to be the focus of a movement opposing the FTA because of the view that a) government ministries did not operate as independent actors outside of government circles and b) they did not want to be seen as a deal-breaker. However, Yu seems to have underestimated the influence and power wielded over the MOAF by the agricultural sector. While the MOAF clearly had its own preference regarding an FTA with Chile, it is critical to note that had the ministry lacked strong external support (i.e. outside government circles), its opposition almost certainly would have withered in the face of an allied front of government ministries, conservative politicians and the President. In fact, without the vivifying support of the agricultural sector, there is little doubt that the MOAF would have acceded to the MOFAT's demands. Although the agricultural sector did not actually change MOAF's opinion on the matter, they did supply the backbone necessary for it to withstand the slings and arrows from other ministries. Although it would be difficult to prove that the agricultural lobby changed the ministries' views on the various provisions, considering their shared views, according to interviews conducted by the author, ministry officials stated that the agricultural lobby was extremely effective in getting the MOAF to focus on three specific items (i.e. apples, pears and grapes)⁴⁴.

Initially, the ministry was not in a decisive position to stop or delay the process or decide on the tariff free exemption items. After a huge amount of public support by the KFCCA, the Ministry justified its reluctance in agreeing with the FTA. This helped to foster a strong bond between both groups that resulted in a more confident MOAF and a closer dialogue between the groups. This relationship was quite productive and resulted in the ministry adopting the agricultural sector's demands to exclude specific

September 12th, 2005; Interview conducted with Cho Je-hong, Managing Director in Department of FTA Trade Policy-Making, MOFAT, Seoul, October 29th, 2005.

⁴⁴ Interview conducted with Youn Jang-bae, Assistant Minister for International Trade and Cooperation in MOAF, in Seoul, October 17th, 2005.

Chapter Three

products from the FTA negotiating table. Even though MOFAT had overall strategic command of the FTA negotiations with Chile, MOAF performed on a more tactical level by negotiating directly with its Chilean ministerial counterpart. The MOAF, in reflecting agricultural interests, was reluctant to open the Korean fruit market. Specifically, at an FTA agricultural open forum⁴⁵ in February 2001, to discuss the 5th round of negotiations, the MOAF made a proposal that dealt with some of the major issues. Chile, however, found these proposals unacceptable, which ultimately led to a deadlock between the two governments. This example clearly displays how interest groups use formal channels to articulate and press their interests.

The agricultural sector's formal channels were not limited to a single government ministry; they also accessed channels that ran through political parties and their representatives on a formal level. Even though the line between formal and informal – at the level influencing individual representatives – could (at times) seem less than distinct, the purpose was to gain influence over political parties. This was a purely formal channel. In fact, the agricultural sector was to use informal channels in order to gain access to more formal channels.

At first, the agriculture sector put pressure on local assemblies⁴⁶ in areas that grew grapes and apples to argue in their favour with the NA and to take up resolutions to stop the FTA negotiations. Soon, MPs of both governing and opposition parties were present at mass rallies held by agricultural groups expressing their support for the farming community. MPs from rural constituencies argued that agriculture should be excluded from the FTA at the Committee of Foreign Affairs and trade (COFAT). According to a key member at the MOFAT⁴⁷, most representatives from rural constituencies agreed on the importance of FTAs in principle, however they wished to exclude agriculture. These MPs also applied pressure on key individuals at the Ministries related to the FTA negotiations. The KFCCA had requested for a suspension of negotiation or an exclusion of agricultural products at gatherings with the Grand National Party (GNP) and the Democratic Party (DP). This is a prime case for how interest group utilised a direct lobbying style (Bearce 2003; Berry 1997; Wright 1996) of influencing elected politicians and made a domino effect style of influence, not only

⁴⁵ Representatives from groups such as the KFCCA, NACF, KPL, and KPAFW were present.

⁴⁶ For example, they are Gyeongnam province, local Assembly, Chungbuk province, local Assembly, and Chugbuk province, local Assembly etc.

⁴⁷ Interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005.

Chapter Three

to political party and but NA as well. It is important to note this demonstrates that agricultural interest groups were able to influence at least one veto player in Korean politics.

As a result of the gradual accumulation of pressure applied from both formal and informal channels, the parties accepted these demands. However, formal channels were not the opponent's mainstay.

Public Influence

Unlike large corporations' groups, farmers' organisations – which were the core organised constituent of the anti-Korea-Chile FTA movement – used mostly informal channels. One of Korea's leading farmers' organisations, the KAFF was guiding the anti-FTA movement from the very beginning. The KAFF's website petition and news resource page displays many examples of anti-FTA activities. According to the information provided on its website, from October 2002, when the international agreement was reached, to the approval of ratification in February 2004, informal channels made up 76 percent of all activities conducted by the KAFF. A total of only four instances out of 17 utilised formal channels. In all other instances, informal channels were used consisting of street demonstrations, burning ceremonies, occupation of public facilities, ceremonial head shaving, fasting, and arson. The use of – sometimes violent – informal channels was predominant. These indirect, or outside lobbying tactics (Gais and Walker 1991: 103; Victor 2007: 827) were aimed at influencing the views of the general public which was in turn expected to affect the preferences of elected politicians and key policymakers. In other words, “public influence,” is a key structure of channel of influence.

Some of these cases require highlighting to provide evidence that informal channels were both numerous and diverse. During the early stages of Korea-Chile FTA negotiations, the main organisation which represented the Korean farmers' interest was the KFCCA. This organisation, for example, expressed strong opposition towards FTA after the 4th negotiation on March 6th of 2001. On that day, 2000 members of the KFCCA gathered in front of government buildings in Gwa-Chun, Kyung-Gi province,

Chapter Three

demanding an immediate suspension of the negotiations⁴⁸. They argued that reaching an FTA with Chile – a farming powerhouse – would threaten the survival of Korean farmers' livelihoods. This was an important demonstration for the purposes of catalysing a sense of ecumenical unity between all sectors of the farming community. This example of solidarity among farmers developed like a contagion and expanded to other citizens' organisations such as KPAA, Korean People's Solidarity (KPS), and CCEJ and Korean Coalition of Farmers' Association (KCFA). These civil groups stressed that the FTA would have a negative domino effect by creating the political and conceptual space for further FTAs and, furthermore, was directly linked to the process of globalisation⁴⁹. In order to block this ongoing trend, they emphasised the need for a strong political campaign in order to persuade the most important constituent of the debate, the public, of the egregiousness of signing any FTA that had designs on Korean agriculture. The KPAA, KPS and KCFA thought that a campaign of typical proportions would be insufficient and, therefore, non-typical campaigning methods would be required. Some of the key leaders of the KPAA who penetrated the government building in Gwa-Chun staged a three day sit-down demonstration at the MOAF in October 17th, 2002. The situation deteriorated, creating a media storm, and as a direct consequence, the DP members (the then ruling party) and opposition party members also showed up at the demonstration pledging to begin an anti-FTA petition in the NA.

A Korean farmers rally, sponsored by the KAFF, was held on October 22nd, 2002 and about 1000 farmers demonstrated violently at BoRaMae Park. Even after the rally, they continued to demonstrate by marching towards Yeouido where the NA building is located. During this protest, the demonstration became violent, resulting in injuries during a clash with riot police. At the same time, many major highways and national roads experienced severe traffic jams due to road blockades created by farmers⁵⁰. Third, in November 13th, 2002, the KCFA organised a rally opposing the WTO free trade of rice around Yeouido's Han River waterfront and as many as 70,000 farmers participated in it. The presidential candidate, Roh Moo-hyun, had to endure

⁴⁸ Hankyoreh Daily Newspaper (06/03/2001).

⁴⁹ Interview conducted with Park Sung-jun, one of leader of the KCFA, Seoul, March 5th, 2007. In similar vein, most of other agricultural organisations' leaders and members (NMP and KFCCA) that I interviewed expressed their concern about FTA and globalisation.

⁵⁰ Kyunghyang Daily Newspaper (23/09/2002).

Chapter Three

having eggs thrown at him by the farmers at the rally⁵¹. However, it was not all demonstrations and throwing of eggs, however.

One of the most important strategies taken by the agricultural sector was to build a good working rapport with the network that *civic groups* had established (i.e. taking advantage of their organisational power). This network (See Table 3.3) consisted of an association of individuals and civic groups who shared a common interest in monitoring public policy (how it was executed and its impact on the public), who formed to provide mutual assistance and helpful information. Although civic groups were established shortly after democratisation, the network itself was created as a result of the processes of the UR agreement (Kim 1995: 160; Chang 1994: 36–39) and, particularly, the opening of the agricultural market. Civic groups were able to influence the FTA by using their experience in generating momentum for issues, as well as their capacity to gain support and negotiate with the government. During the negotiation phase of the Korea–Chile FTA, agricultural groups united with the CCEJ and People’s Union (PU) to maximise their ways and means of influencing both the public and government. This was another aspect which helps explain how the FTA’s opponents expanded the issue of the Korea–Chile FTA beyond a farming issue concerning apples and pears to agricultural products in general. This alliance was most successful in drawing media attention to the ongoing debate and, simultaneously, helped to lend more gravitas to their argument.

Most economists⁵² who have worked for civic groups have, at one point or another, worked in either the private sector or, more popularly, in MOAF. Invariably these economists would have specialised in agricultural issues. Agricultural economists tend to think in terms of protectionism when it comes to Korean agriculture. Almost as a corollary to this, many – if not most – have conservative impulses and are supportive of Korean agriculture because of its cultural significance, the issue of food security and the level of dependence in rural communities. Furthermore, this ‘network within a network’ had access to backchannels within MOAF (due to the ongoing relationships between individuals and organisations) which ultimately favoured the agricultural sector. Or, the “Proximity to key politicians and policy makers (PPPM)” as defined by the three

⁵¹ Maeil Business Daily Newspaper (09/01/2003).

⁵² For instance, Kim Sung-hun, former minister of the MOFA. After retirement from office, he became a counsellor at KFCCA, and now acts as an interlocutor between citizen/agricultural groups and the Ministry.

Chapter Three

structures of channels of influence. This network influenced the government's agricultural policies greatly and, ultimately, the Korea–Chile FTA. The synergy effect of applying pressure on MOAF through both formal and informal channels galvanised an already pliant MOAF to their cause.

In conclusion, a deadlock was reached by the end of the 4th round of negotiation (see table 3.1 for the relevant dates). The primary reason behind this was the influence that the anti-FTA alliance wielded. However, the negotiation phase did not remain deadlocked indefinitely.

When the negotiations began again with the 5th round, although the agricultural proposals remained what they were during the 4th round, it was Korean industry (specifically concessions on washing machines and refrigerators) which had to make room for a Chilean return to the negotiations. It was key ministries' (particularly MOFAT) doggedness which also helped persuade the Chileans to come back to the table.

In summary, supporters were not as effective as they could have been due to the FKI's lack of involvement during the negotiation phase. Their main channel of influence during this phase was IPI (which was their primary channel) even though it had PI as complementary channel (secondary channel). For agricultural groups, on the other hand, their key channel of influence was PI (primary channel) which allowed access to IPI (secondary) and PPPM (tertiary).

Ratification Phase

In December of 2002, a presidential election was held as the negotiation phase drew to a close and was to provide an important backdrop to the ratification phase. As if this factor was not enough to complicate issues, a general election was due to be held in April 2003. As has been noted in Chapter One, Oatley (2004) argues that elections are very important because they create incentives for politicians to present the economic interests of their constituents. In a 'first past the post' electoral system, national trade politics are characterised by competition between industries because political representation is directly linked to specific territorial districts with different economic characteristics. Or, according to Rosenbluth and Schaap (2003: 307), electoral rules

Chapter Three

matter because they dictate what a politician must do to get elected. Naturally all parties and many individual MPs running for the upcoming elections felt that they had an interest in the FTA ratification phase. Amongst these individuals and groups there were opponents and supporters of all stripes and shades. Prior to the election, President Kim Dae-jung officially supported the FTA, however this support remained 'inactive' due to his concern over both the presidential and general elections. This is also similar to the Korea-Japan FTA (see next chapter). The new president, President Roh, was a different prospect. He publicly and unambiguously supported the FTA both as he ran for election and during his term. Needless to say, this was something of a boon to those who supported the FTA. The president was not alone, the governing party was also publicly supportive of the FTA. That, however, was not the end of the story. The NA, prior to this, stalled on the issue of the FTA (which had become an emotive, public issue) until after the elections. Ratification was yet to take place in the NA and, at the end of the day, there was still a lot of horse-trading, compromises, arguments, debates and wielding of influence left to be done before anything was signed.

Given this background of FTA ratification and upcoming elections, a perfect breeding ground for the involvement of domestic stakeholders was set. As an aside, the similarities between this FTA and the current Korea-US FTA are worth noting; presidential and general elections were held during the ratification phase of both FTAs and both times the NA stalled on making any decisions until after the election and both new presidents were very supportive of the FTAs.

Opponents

During the negotiation phase the anti-FTA alliance had held the upper hand. Although the alliance did manage to have the bill watered down in its favour during the negotiation, and, importantly, had the bill delayed for 20 months in the NA, it failed to have the bill rejected from the assembly. This was to be the pinnacle of the anti-FTA influence. From then on, pro-FTA groups were to have things more and more their way.

Loss of formal channel access (IPI)

The access opponents had to formal channels was reduced significantly during this phase. The MOAF consisted of civil servants headed by an elected government official and once the international negotiation phase was reached, MOAF's alliance with the FTA's opponents became ultimately meaningless (i.e. they had no vote in the NA). Furthermore, President Roh – who was elected on a broad platform while publicly in favour of the FTA – was less likely to meet or look favourably on the demands of the anti-FTA alliance. Due to the success of the pro-FTA alliance in influencing not just members of the public (via the media and the fact that the ratification process had stalled for 14 months, thus creating a countervailing public force in favour of passing the bill), but also individual MPs and political parties (due to both the success in influencing the general public and a more consistent rationale which resonated with the public, e.g. the major papers had disseminated information that the FKI were losing market share in foreign markets due to FTAs and that a successful Korean FTA would rectify this, increasing the economy as a whole). This all helped to create a bolder NA that supported the FTA across party lines. A total of 70 MPs who had allied to create a *de facto* 'Rural Party (RP)', representing rural communities in the NA, were unsuccessful in derailing any party's support for the FTA.

Splitting the Opposition

The KFCCA, which had been a stalwart opponent of the FTA and a leading member of the anti-FTA alliance, was not to remain within the fold of the opposition for very much longer. The government finally succeeded in persuading some groups⁵³ (KAFF, KFCCA) to cease opposing the FTA by increasing the FTA special fund from its original 800 billion (\$0.8 billion dollars) to 1.3 trillion Won (11th November 2003), giving extra funds as a countermeasure for debt, lowering the interest of political funds from its then current 4 percent to 3 percent, increasing the period of special taxes for farming and fishing areas, and extra 119 thousand billion Won support for ten years (Yu 2006b: 668). As a result, it fractured the opposition and drove what remained of the

⁵³ An association of 20 farmers' groups agreed to support the ratification of the FTA under these side payment policies (Choi & Lee 2005: 16).

Chapter Three

anti-FTA alliance (see below: *informal channels*) further from access to formal channels and placed the remaining farmers groups in a position where increased militancy was viewed as the last option of resistance⁵⁴. It has been analysed that out of the 119 thousand billion Korean Won (\$11.9 billion at the time), when one excludes the 51 thousand billion Won, the current government promised until 2008, the 68 thousand billion Won belonged to the next government's budget between the years 2009 and 2013; therefore, unless it was legalised, it would be impossible to get this promise of financial support after 2009 unless it was given through subsequent government's budgets⁵⁵. Moreover, the 119 thousand billion investment plan reflected the budget interest of 7.3 percent of the MOAF already, and it was not invested separately from the budget. Due to the strings attached to the government's proposal of support funds, opposing groups continued to rally against 'Korea–Chile FTA' on the December 29th, 2003.

In May of 2003, farmers opposing FTA ratification in the NA, gathered under the name of the Nong–Min Power (NMP). Unhappy with the moderate stand taken by the KFCCA, nine of its affiliated organisations such as the KCFA, the KAFF, KCFA and few others came out to form a new radical coalition. It argued that the KFCCA was simply not capable of conducting effective anti-FTA political activities. According to the NMP, it had the ability to protect and foster the political interests of farmers. Whereas the KFCCA consisted of 21 associations, the NMP garnered only nine associations, while its unyielding and uncompromising stance fuelled more militant anti-FTA activities.

IPI efficiency

Given these circumstances, the use of formal channels became an almost pointless exercise on behalf of the NMP. There were a few cases where farmers officially met with political parties to discuss their demands, but the circumstances were completely different to meetings held during the negotiation phase. Talking to government officials at the party level was looked upon as a pointless exercise due to complete lack of success. The NMP's last attempt to access a formal channel was a

⁵⁴ IB Times, 'Trade Adjustment Assistance,' (22/03/2008);

<http://news.jknews.co.kr/article/news/20080322/5465486.htm>.

⁵⁵ Hankyoreh Daily Newspaper (04/05/2003).

Chapter Three

meeting with the President and on January 6th, 2004, members of the NMP demanded President Roh Moo-hyun reconsider the FTA ratification on the basis that it would harm the agricultural industry in Korea. However, the president was especially enthusiastic about the FTA while firmly expressing his position that their demands were ‘difficult to accommodate at this point in time⁵⁶.’ He tried to persuade them that the ‘open market is the general tendency that must be followed⁵⁷.’ However, he promised to establish policy and legislation plans to minimise farmers’ losses. The following day he met with the ‘moderate’ farmers’ organisation, the KFCCA.

The loss of access to formal channels did not occur overnight but was the result of several factors previously discussed. During this period, the anti-FTA alliance managed to delay the ratification process by 14 months. By the end of those 14 months, their influence had waned while that of the supporters of the FTA had waxed (see below). With the swing in “public influence” as a structure of influence – if not in support of the FTA then at least away from the opponents – and the concomitant gradual loss of the “power to influence political institutions” as defined by one of the three key structures of channels of influence (i.e. during ratification, the influence of the MOAF was significantly reduced), the anti-FTA alliance became more reliant on informal channels.

Informal channels (Public Influence)

The ratification bill was passed eventually. This was, from the narrow perspective of the ratification phase, a victory for those who supported the bill. However, it must be stated that the process of ratification was an extremely difficult period for its supporters. The bill was delayed for 14 months and during these months the anti-FTA groups applied enormous pressure to have the bill either thrown out or altered significantly in their favour. As had been true in the past, so it was during this phase of the process, the anti-FTA groups’ use of informal channels was their most successful strategy. The anti-FTA alliance was not confined to one informal channel either; they had access to a broad spectrum during their opposition to the FTA’s ratification, ranging from violent and disruptive demonstrations to more peaceful events.

⁵⁶

Hankyoreh Daily Newspaper (04/05/2003).

⁵⁷

Maeil Business Daily Newspaper (07/01/2004).

Chapter Three

After July 2003, disorderly activities such as blockading highways and national roads, fasting, and sit-in demonstrations, were repeated routinely. The FTA ratification approval motion passed in the UFATC on December 26th and the intensity of farmers' defiance increased considerably. On December 28th, a large scale farmers' demonstration occurred in Jeollabuk province and some demonstrated by occupying and shouting anti-FTA chants at the graveyard of an Uri Party member's deceased father. The next day on the 29th, about 3,000 NMP coalition members assembled in front of the NA in Seoul and shouted anti-FTA slogans. Some farmers tried to get inside the main building, while others got together in groups of ten to occupy each of Seoul's 13 Uri Party district headquarters. This demonstration continued for two days and during the process there were successive occurrences of arson, vandalism, and injuries.

The reality was that politicians considered the FTA a very hot potato during the first 7 months and were reluctant to broach the subject in the NA, hence it sat on the sidelines for so long. There was also access to more conventional informal channels (i.e. PPPM). Similar to the militant demonstrations, the more conventional methods of applying pressure had individual MPs, their parties and the entire MP as their targets.

During a consultative meeting in June 2003, the MOFAT urged that the NA proceed with all due haste on ratifying the FTA because Chile was aiming for ratification as quickly as possible. The government hesitated in submitting the proposal due to strong opposition from the farmers and several members of NA. In the end, the government and the DP (the governing party at the time), convened a consultative meeting of ranking administration and party officials and had heated discussions regarding ratification. The result was *not* to deal with it during the extraordinary session of the NA in June 2003. In fact, the DP argued for postponement, emphasising 'planning countermeasures before ratification' (e.g. funding farmers, investing in rural communities, etc.) in order to help deflect the expected strong opposition from farming groups⁵⁸. This was the first cancellation of the ratification process and it was not to be the last.

One month later, on July 8th, 2003, an NA ratification consent proposal was submitted to the standing Committee under the NA, the UFATC. It took six months for the submitted ratification proposal to pass approval and be introduced on the agenda.

⁵⁸

Maeil Business Daily Newspaper (11/06/2003).

Chapter Three

Some of the UFATC members, concerned by a potential agricultural sector backlash, succeeded in slowing down the process. A petition against Korea–Chile FTA ratification signed by many members of the NA (more than 90) was enough to scare away pro–FTA supporters from publicly endorsing ratification or passing it in the NA.

For these reasons elucidated above, hesitation and a stop/start approach marked the passage of the bill under the UFATC until December 2003. Finally, approval of FTA ratification in the UFATC was given on December 26th, 2003 with 12 votes in favour, 7 against, 1 abstention, and 3 non–attendances. The UFATC was eventually able to approve the motion of ratification in the NA once the media, the public and government official opinion had shifted in favour of the FTA⁵⁹.

PPPM efficiency

The ratification proposal, however, continued to have a bumpy ride in the NA. Rural MPs became anxious of voter discontent in their constituencies. These members, regardless of party, formed an alliance among themselves, the so–called ‘RP,’ in order to block ratification. The FTA ratification was supposed to be approved on December 29th, but RP members (around 70) from the DP and the GNP threatened to occupy the plenary session to stop the ratification. Lee Gyu–taek and ten other members threatened to occupy the chairman’s chair during the session⁶⁰. In the end, chairman of the NA, Park Gwan–yong, gathered four leaders from each party and decided to hold off on the approval process. There was an attempt to pass the bill the next day, but again the ‘RP’ members occupied the chairman’s office. These obstructions hindered the process and prevented immediate approval. The New Year did not initially bring about any change to the situation. On the morning of January 8th, the day when ratification was to be approved, President Roh Moo–hyun visited the NA to seek cooperation with chairman Park Gwan–yong, the GNP representative Choi Byung–ryul and the DP’s Cho Soon–young. The Presidential visit to the NA to seek cooperation, instead of delivering the National Policy Address, was the first visit of its kind in the history of Korean

⁵⁹ There was a public-opinion poll taken about the passing of Korea-Chile FTA on December 5th and 6th 2003. The interesting thing is that 50.2 percent were for the Korea-Chile FTA and 46.8 percent were against. Next, on the possibility of ratification the votes were 69.5 percent high and 25.6 percent low. As a result the public opinion of the Korea-Chile FTA were almost half-half, however more than two thirds estimated that it would be passed easily at the NA.

⁶⁰ Hankyoreh Daily Newspaper (30/12/2003).

Chapter Three

constitutional government (i.e. in search of support for policy). However, the collective obstruction by the RP once again defeated the FTA ratification attempt. The third attempt (post UFATC) was on February 9th, however it also failed. It was delayed while the NA was deciding which voting methods to use (secret ballot, open ballot or electronic ballot). After the consultation with the representatives from three parties, chairman Park Gwan–yong decided to deal with the ratification approval the following week because more time was needed to persuade the RP representatives. He wanted to set up a compromise proposal by arranging talks between Prime Minister and the farmers' organisation before going ahead with the ratification. He also suggested initiating a meeting between the government and members of the RP and providing additional aids to farmers.

While the final compromise did not persuade the RP members to vote in favour of the FTA, it did have an effect on farming organisations and their supporters.

Out of 271 NA members, 234 turned up for the ballot and it resulted in 162 ayes, 71 nays and 1 abstention. Most urban region members voted in favour and rural region members voted against it. After going through these internal processes, the Korea–Chile FTA came into effect in April 1st, 2004.

Supporters

Formal channels (IPI)

While the negotiations with Chilean representatives were taking place, the FKI, which were pro–FTA, were quite confident that the agreement would be reached without any major problems⁶¹. Since the government chose Chile as its first ever FTA partner, Korean officials assumed great responsibility in achieving success in the negotiations. Therefore, the FKI felt at ease regarding government's attitude and a positive outcome. However this sentiment slowly changed as the domestic phase of ratification got underway. As the resistance and the opposition by the anti–FTA groups, especially from the farming and agricultural organisations, developed more aggressively

⁶¹ Interview conducted with Jeun Young-Jae, a senior research of Economic Research Department, SERI, Seoul, September 23rd, 2005; Interview conducted with Na Hyung-Kun, a director of International Economic Research Department, FKI, Seoul, November 26th, 2005.

Chapter Three

than expected, the pro-FTA groups became more proactive in expressing their arguments and point of view (Kim 2003a: 155). This was achieved, in part, by adopting a more 'full spectrum' approach, i.e. using both formal and informal channels (IPI, PPPM and PI).

The stakes increased with the submission of the FTA for ratification approval to the UFATC in July of 2003. In order to act more cohesively in applying pressure to the UFATC, the pro-FTA industries gathered under the umbrella of the so called big five leaders of the industrial organisations in Korea: KITA, Korea Chamber of Commerce and Industry (KCOCI), FKI, Korea Federation of Small and Medium Business (KFSMB), and Korea Employers Federation (KEF)⁶². From late 2003 until February of the following year, when the ratification motion was finally passed in the NA, the FKI had produced a total of five recommendations regarding government FTA policy⁶³. It is widely considered an exceptional deed to have generated so many collaborative recommendations regarding a single policy issue in such a short time. It was also demonstrative that the threat of anti-FTA groups' resistance was real and demanded attention.

In addition to all these recommendations and activities, most high level communications (the business groups' spokespeople met several times with the President, party leaders, prominent members of the NA, and other high ranking government officials) were converted automatically into public policy activities by Korea's major media outlets (see below). This acted as an additional means for the industrial groups to justify their more open support. For example, the Seoul Broadcasting System (SBS), one of Korea's largest broadcasting companies, reported the reality which Korea's industries faced and showed that the market share of automobiles was on rapid decline, from 28.3 percent in 2002 to 17.6 percent as of October 2003. Market share of Korean automobiles in Chile ranked fifth in 2003, which was three ranks down from the previous year. Market share of cell phones was also a serious concern, as it continued to lose market share in Chile due to the fact that Korea did not have an FTA with Chile. In a similar vein, the pro-FTA groups portrayed this

⁶² Among them, the KCOCI and the KFSMB chairman carried out his function as representative for SMEs but regarding foreign economic policy area, and especially for the Korea-Chile FTA, their interests were almost in accord with those of large corporations.

⁶³ Recommendations urging for a speedy ratification approval at the NA were announced July 15th and October 20th, 2003 and February 9th, 11th, and 15th, 2004.

Chapter Three

information so as to convince the general public that an increase in large corporations' output and turnover would boost the Korean economy. This was based on their contribution to the Korean economy and that a loss of agreement on the FTA would hurt not only the corporations but also the general public via the national economy. This rationale was efficacious in persuading sections of the public and resulted in an increase in public support (Kim 2003a: 159–160; Kim 2003b). Furthermore, this rationale was also helpful in persuading undecided politicians to support the FTA in the NA. Their influence over politicians, however, was not only through the influence structure but also through the “power to influence political institutions-i.e. NA.”

Informal Channels

In utilising informal channels, besides setting forth recommendations, pro-FTA groups articulated their position on FTAs by arranging frequent informal meetings with key political leaders such as the President, party leaders, prominent members of the NA, and other high ranking government officials⁶⁴. These unofficial meetings were crucial for the pro-FTA groups not only to re-emphasise their enthusiastic support for the FTA but also to reinforce informally what had been expressed formally and to maintain pressure on politicians to support the FTA, which defines the structure of channel of influence PPPM. This allowed the pro-FTA groups to apply pressure more efficiently. Political pressure applied from two directions is always going to be more advantageous than applying it from one and ensured that their ideas were well aired.

It is evident from reading that Korea's five most read daily newspapers' editorial articles that they were in unanimous support of the Korea–Chile FTA⁶⁵. During the period between July of 2003 and February of 2004, when the FTA was a key issue for both the public and major domestic stakeholders, there were 35 editorial articles about the FTA published by the five major daily newspapers. Among them, only two articles from the Hankyoreh Daily Newspaper urged a cautious approach, while the

⁶⁴ For instance, on February 8th, 2004, members from each of the big-five industrial organisations urged the government to conclude the ratification process as rapidly and actively as possible, meeting core government officials such as the Uri Party's Chung Dong-young Chairman and other members (Maeil Business Daily Newspaper 08/02/2004).

⁶⁵ As of September 2002, Korea's five most read daily newspapers were the Chosun Daily Newspaper, JoongAng Daily Newspaper, Dong-A Daily Newspaper, Hankyoreh Daily Newspaper, and Korea Times (Pressian 26/09/2002).

Chapter Three

remaining 33 articles, or 94percent of all editorials, expressed supporting arguments for the FTA⁶⁶. A case availing of the structure “public influence” if ever there was one. The media’s position was undoubtedly beneficial for the pro-FTA groups. The media’s detailed reports about the need for an FTA and their justifications meant that they fulfilled the policy communication role pro-FTA groups had hoped they would (see below). In brief, the media’s selective reporting and editorials in favour of large corporations’ interests helped to shape a more positive opinion among the general public regarding the FTA. Conservative newspapers complained vociferously about the NA when the ratification bill was blocked three times. Furthermore, members of the NA were criticised greatly because of their attitudes in pursuing their own interests and concerns regarding the election results and their apparent lack of concern for national long term benefit. For instance, when having failed to ratify the country’s first FTA for the second time, the business sector took measures to exert its own pressure on the legislators. FKI announced that it would analyse and circulate a list of the National Assemblymen opposing the bill to its member corporations and promptly published the list of what it designated “anti-business lawmakers” in its newsletter (Choi & Lee 2005: 21).

Furthermore, Korea’s leading media – such as Chosun Daily Newspaper and Dong-A Daily Newspaper – created an atmosphere of urgency regarding the progress of the FTA by covering in depth negative reporting day after day about politicians. Large manufacturing corporations, trading companies, political pundits, economy experts and even public opinion generally expressed the need for a conclusion to this matter⁶⁷. Politicians, especially the leading members of both parties, had to be considerate of the general public’s criticisms of the process.

These informal channels (Public Influence through media) bore fruit not only in how the FTA was perceived by the general public but also in terms of how formal channels reacted. This is best exemplified by how PI affected public opinion and,

⁶⁶ Hankyoreh Daily Newspaper, editorial columns (21/11/2003 and 11/02/2004).

⁶⁷ A survey (300 respondents) was conducted in February, 2002 jointly by Korean Economy Newspaper and LG Economy Research Centre among various economy expert groups such as government officials, enterprisers, university professors, and research workers. 68.3 percent of the respondents responded that market liberalisation (such as FTA) should be strongly promoted (Korean Economy Daily Newspapers 24/12/2002). Meanwhile, a result of another survey (261 business respondents) conducted by Korean Trade Association with a focus on trading business groups showed that 89 percent of the respondents were supportive of FTA ratification (Segye Daily Newspaper 10/10/2004). A similar trend is also found among university students. A result of a survey conducted in January, 2004 by the FKI among 237 university students showed that 90 percent of the student respondents were supportive of Korea-Chile FTA settlement (Chosun Daily Newspaper 16/02/2004).

Chapter Three

therefore, helped to provide supporting MPs and parties with a viable *raison d'être* for their stance regarding the Korea–Chile FTA.

The party that felt the most pressure was the GNP, as they were the majority party in the NA. Therefore they were the most actively involved party in resolving the situation. On February 16th, 2004, the fourth ratification attempt, the GNP held two unscheduled general meetings in order to verify that party members were towing the party line. “Our party which is the majority party in the NA will suffer great losses if we do not pass the bill today. It is the matter of life or death for our party,” the party leader, Choi told its members⁶⁸. He pressured the party by telling them that members who go against party line would face dire consequences⁶⁹. Ultimately, the party’s stance was achieved by a politically coerced consensus.

The Uri Party, in power in October 2003, also decided to vote for the approval and it encouraged its members to follow the party’s line. Although the DP was supposed to vote according to members’ discretion, party leader, Cho Soon-hyung pressured members of the party by saying that they should vote for the interest of the country as a whole. Thanks in part to the efforts of party leaders, the bill passed within 20 minutes of taking ballot. Most urban region members voted in favour and rural region members mostly voted against it. After going through these internal processes, the Korea–Chile FTA came into effect on April 1st, 2004.

⁶⁸ The GNP was a conservative party and was widely seen as supporting the FTA. Furthermore, they received the backing of FKI on this issue and the party leadership viewed failure to support ratification (or failing to get the FTA passed) as something that could cause the party irreparable damage, losing support from both the corporations and conservative public who supported the FTA.

⁶⁹ 25 rural members of the GNP clearly expressed their intention to vote against the FTA bill. Excepting those rural members, any party member who opposed the bill, the party leader strongly warned, would not gain a position of worth after the next general election (Munhwa Daily 16/02/2004).

An evaluation of the impact the domestic stakeholder's influences had on the FTA

Agenda-setting phase – Supporters' dominance utilising IPI as the prime channel of influence

Agenda-setting is, by its very nature, dominated by government ministries involved in formulating foreign economic policy, such as FTAs. In Korea's case, the ministry with institutional power (based on the Government Organisation Act) was the MOFAT. Furthermore, the MOFAT had a symbiotic relationship with the FKI and was sympathetic to their demands. The MOFAT was not alone; virtually all government ministries were supportive of the FTA with the sole dissenter being the MOAF. Ineluctably, the agenda-setting phase was weighted to favour those who supported the FTA with Chile. Due to a lack of information regarding this phase to be found in the public arena, those who were to become the FTA's most stringent opponents were kept out of the loop and thus prevented from altering the agenda during the initial phase. The FTA was set according to the paradigm laid out by MOFAT and the industries. The pro-FTA groups relied solely on the key structure of influence, the "power to influence political institutions" – or formal channels – at this point.

MOFAT played a dual role during the FTA process, acting as both supporter and channel of influence. At the same time, President Kim supported the FTA policy. With such support available it was not really necessary for the FTA's supporters to seek other channels of influence other than IPI. Given this background, it would be almost redundant to discuss OP and channels of influence. The FKI was not involved during the agenda setting phase, neither were any of the agreement's future opponents. Suffice to say that the government, in the roles of MOFAT and the President, was supportive of the FTA and was institutionally in control with little to no outside interference.

The dominance of pro-FTA groups and the absence of opponents led to an FTA agenda that firmly represented the wishes of those who supported it. While this may seem to have been a complete success for those who supported the FTA, the situation was, in fact, the calm before the storm and it was to sow the seeds of discontent that was to follow. The supporters' got what they wanted, but this was to prove the old adage right; be careful for what you wish for because you might just get it.

Negotiation Phase – Opponents' ascendancy utilising PI as the prime channel of influence

The negotiation phase was almost a role-reversal of the agenda-setting phase. The supporters took a backseat while the anti-FTA alliance grew from strength to strength. Government ministries, which had earlier had a united goal, began to drift and argue with each other over details (although MOFAT remained a permanently engaged actor) while the large corporations, fearful of stirring up anti-Chaebol sentiment and simultaneously quite hubristic regarding the FTA's chances due to both government support during the early phases, effectively shut themselves out from the game.

Whereas the MOFAT actively supported the FTA, the FKI was publicly lukewarm for fear of stirring up anti-Chaebol sentiment. This weak alliance had poor (tertiary) access to PI even though they utilised conservative newspapers. Other than the editorials and articles printed, there was very little public support, besides that given by the government, for the FTA itself. Hence their key channel was limited to IPI, similar to the agenda-setting phase, with PPPM as secondary. The fact that the FKI felt inhibited due to a potential backlash meant that their utilisation of channels of influence was not commensurate with their OP. Their use of PI was almost clandestine; the FKI was not willing to support the editorials various conservative media printed, leaving them to exist in a virtual vacuum. This meant that their access to PI was drastically limited. Their utilisation of IPI and PPPM was also not as effective as could be, given the fact that the FKI viewed the direct benefits of an FTA with Chile as not particularly bountiful.

The agreement's opponents, on the other hand, were efficaciously involved, partly because they had been sidelined and effectively shut out from the agenda-setting phase. Their primary channel was to be PI and this was determined by several factors. First, the FTA's opponents wanted, indeed needed, to raise public awareness of the issue as they had limited access to IPI and PPPM (i.e., these were groups of farming organisations and civic groups whose limited OP did not give access). Should opponents gain access to PI, this would then ensure more attention would be paid to what they wanted. Second, previous experiences, such as beef imports in 1987, the UR negotiations in 1993 and the Korea-US Bilateral Investment Treaty (BIT) in 1998, suggested that PI would be the most productive channel to access.

Chapter Three

Their use of both informal (PI as primary channel) and formal (IPI as secondary channel) was extremely effective, particularly their use of informal channels, such as street demonstrations, which involved the public and, concomitantly, politicians. This dual wielding of influence and ability to access all three of the key structures of channels of influence was to have almost immediate and ongoing results. Their use of PI (public demonstration) was determined by the OP. Given their weak OP they did not have immediate and effective use of IPI nor PPPM and, in fact, it was inevitable that they would access PI as their primary channel thereby gaining more effective use of IPI (MOAF) and PPPM (rural MPs).

The overall outcome during this phase was a result for the anti-FTA alliance (see table 3.6). They achieved several goals during this process, although they failed in their main goal; to have the agreement killed off.

- i. The FTA was stalled for 20 months (between the 4th and 5th round negotiations) and some of the key sensitive items that concerned the farmers were taken from the table.
- ii. Korean apples, pears and rice were sensitive items for farmers and were treated as deal-breakers in negotiation phase due to the success anti-FTA alliance. Finally, they were taken out of the deal and, furthermore (see Table 3.6), Korea had many agricultural products which were in exempted in the final agreement.

Table3.6: Comparison of items exempted from Chile/Chile's FTA partner countries

| Countries | Number of items exempted | Number of items exempted for Chile |
|-----------|--------------------------|------------------------------------|
| Canada | 96 | 75 |
| Mexico | 82 | 105 |
| Korea | 394 | 54 |

- iii. The Korean tariff tables are more complicated than the Chilean counterparts (see table 3.7 & 3.8) and this is the result of the pressure applied by the anti-FTA alliance. According to interviews with senior MOFAT officials⁷⁰, some of the tariff bands applied were at the behest of opponents of the FTA and were inserted against the wishes of both MOFAT and the Chilean government (i.e. After Tariff rate Quotas (TRQ) and Doha Development Agenda (DDA) renegotiation and after DDA renegotiation). There are ten tariff categories (see table 3.7) in total while Chile's tariff categories are made up of the following six categories (see table 3.8).

Table 3.7: Tariff Categories of Agricultural Products Imported from Chile

| Categories | Number of Items | Major Items |
|----------------------|-----------------|---|
| Year 0 (Immediately) | 224 | Seed bull, breeding pig, breeding chicken, lard, fertilized eggs, assorted feed, rawhide, fur, oil and fat, pelt, wool, wheat, rye, oats, African millet, millet |
| Year 5 | 545 | Horse, sheep, chicken, turkey, other animals, edible offal, eggs, royal jelly, tulip, lily and other flowering plants (dormant), root of chicory, rose, orchid, carnation, mushroom germ, Chinese cabbage, lettuce, radish, bamboo shoot, bracken |
| Year 7 | 40 | Canned peaches, jam, juice(grapes, strawberry), peaches(dried), turkey meat, |

⁷⁰ Interview conducted with Cho Je-hong, Managing Director in the Department of FTA Trade Policy-Making, MOFAT, Seoul, October 29th, 2005.

Chapter Three

| | | |
|-------------------------------|------|---|
| | | corn(seed), pea and bean(refrigeration), other vegetables(refrigeration), potatoes, walnut, raspberry, soup |
| Year 9 | 1 | Other fruit juice |
| Year 10 | 197 | Pork, mutton, edible offal(beef and so on), chicken(uncut and refrigerated), yogurt, hatchery eggs, bird's eggs, cheese(all), sausages, tomatoes, carrot, turnip, cucumber, lemon, raisin, peaches, strawberry, kiwi fruits, grape juice, sweet persimmon, apricot, melon, fruit juice(orange, apples, and peaches) |
| Year 16 | 1 | Powdered milk, other fruitage(dried), delicatessen, pears and strawberries(manufactured and stored), processed goods, blended juice(apples, grapes and others) |
| Seasonal Duties | 12 | Grapes |
| After TRQ + DDA renegotiation | 18 | Beef(400 tons), whey (1,000 tons), Chicken meat(2,000 tons; refrigerated, manufactured and stored), apricots(1,000 tons), mandarin(100 tons), and other vegetables (100 tons) |
| After DDA renegotiation | 374 | Other vegetables and flowering plants like red pepper and garlic, cereals like barely and beans, stock farm products like frozen pork, butter and cheese, fruits like mandarin and jujube, watermelon, green tea, sesame |
| Exception | 21 | Rice, Apples, Pears and so on |
| Total | 1432 | |

Table 3.8: Chilean Tariff Categories of Products Imported from Korea

* (Chile HS code 8, percent)

| Offer | Total | Industrial | Farm | Forest | Marine | Major products |
|----------------------|-------------|-------------|-----------|----------|----------|----------------------|
| Category | | products | products | products | products | |
| Immediate | 2,450(41.8) | 1,478(30.6) | 677(92.9) | 96(100) | 199(99) | TV, cars, computers, |
| elimination | | | | | | cell phones |
| Elimination | 1,994(34.1) | 1,992(41.3) | — | — | 2(1.0) | polyethylene, |
| within 5 years | | | | | | transport vehicles |
| Elimination | 14(0.2) | 14(0.3) | — | — | — | oil filters |
| within 7 years | | | | | | |
| Elimination | 1,199(20.3) | 1,180(24.4) | 10(1.4) | — | — | storage batteries, |
| within 10 years | | | | | | vacuum cleaners |
| Elimination | 152(2.6) | 152(3.1) | — | — | — | iron ore, textiles, |
| over 5~8 years 1) | | | | | | clothes |
| Excluded | 54(1.0) | 12(0.2) | 42(5.8) | — | — | washing machines, |
| | | | | | | refrigerators |
| Total | 5,854 | 4,828 | 729 | 96 | 201 | |

*Source: the MOFAT: http://www.fta.go.kr/user/fta_korea/kor_chile.asp?country_idx=11

1) Elimination of tariffs within 6~13 years of entry into force of agreement.

2) Number of products is due to change in division of products and HS code.

Compared to the agenda-setting phase which was dominated by the pro-FTA groups, this phase was dominated by its opponents and the results indicate that the final compromise during the negotiation phase favoured the FTAs opponents more so than its supporters. The crucial issue (or most sensitive issue) was that of farming products and

Chapter Three

the opening of Korean farming to outside markets. While the opponents had achieved their secondary aims (i.e. altering the FTA), the fact was that the FTA was still on the table and there was a lot to play for in the final phase of the process.

Ratification phase – *A battle won, but what of the war?*

The opponents came into the final phase in form and on top. They continued to perform strongly and had the bill delayed by 14 months in the assembly. However, this period masked a rot that had taken root in the formal influence channels that the anti-FTA alliance had utilised up until then. In fact it was partly their success which helped to shape this downfall. The government realised that an agreement was going to have to be made with some (or all) of the farmers' groups. The resultant agreement split the KFCCA - *divide et impera* - and resulted in a much weakened opposition (NMP) – which correlated to a weak OP – who resorted to more militant demonstrations (PI as primary channel) and a more centrist KFCCA who supported (or at least did not oppose) the FTA.

The result was that splitting the opponents of the FTA as the government did resulted in weakening their OP. Regardless, the fact is that up till that point, PI (public demonstrations) had been the most successful channel of influence for the opponents and they continued to rely on this channel throughout the ratification phase. The increasing desperation of their position, given the weakening of the OP, resulted in some demonstrations that resulted in violent confrontations. The use of IPI became a strong secondary channel given the role the 'Rural Party' played in the NA. Their attempts to access PPPM were non-productive and, hence, a tertiary channel.

In tandem with a weakening of the anti-FTA alliance, the pro-FTA groups grew in strength during the ratification phase, utilising formal (PPPM as primary channel) and informal channels (PI and IPI as secondary and tertiary channel-probably having learned the hard way from their opponents). Given their strong OP meant that there were constant informal meetings with key leaders such as the President, party leaders, prominent members of the NA and other high-ranking government officials that occurred throughout this duration, PPPM was the supporters' primary channel of influence. Access to PPPM allowed supporters to apply pressure effectively. Their

Chapter Three

secondary channel was PI, notably the use of conservative media and notably, the FKI's announcement that it would circulate a list of MPs who opposed the bill as “anti-business lawmakers.” This played an important role in heaving some MPs off the fence and into their court. Finally, IPI was tertiary; the five recommendations produced by the FKI were submitted to government and were converted in short order into public policy activities. Additionally, the FKI managed to create a public sphere for the dissemination of their views without risking a public backlash against the Chaebols while the MOFAT was able to construct a more critically resilient rationale for those who supported the FTA. Critically for politicians, those who supported it were now capable of publicly endorsing it without committing political *hari-kiri*.

To conclude, the FTA was passed but did so under much duress and was drastically different to what was originally planned. Those who opposed the FTA failed to have it thrown out of the NA but they did get some of their demands included and gained a huge side payment. The supporters of the FTA won the last battle but did they win the war? Areas of the agricultural sector remained out of bounds, which was a failure on behalf of supporters. However, as opponents were wont to point out, the first FTA was to be the first of many and regardless of how sacrosanct portions of the farming market were, the first inroads to opening them had been made in the face of enormous opposition.

Conclusion

To reiterate, the purpose of this thesis is to present evidence to investigate the argument that domestic stakeholders had a decisive impact on Korean FTA policy and final outcome. The key stakeholders in this process were; key government ministries (MOFAT and MOAF), the FKI, the farming sector and civic groups. These stakeholders were divided between supporters (MOFAT, FKI) and opponents (MOAF, the agricultural sector and civic groups).

During the three phases of the FTA process, each of these groups' access to the three key structures of channels of influence (formal and informal) and their relative successes varied. The agenda-setting phase was dominated by supporters who used formal channels (IPI as the primary channel). This was an inevitable result of how FTA

Chapter Three

policy was formulated. MOFAT, which dominated foreign economic policy, was in favour of having an FTA and partly co-opted – and was partly co-opted by – the FKI in formulating this policy. The negotiation phase was dominated by opponents who used both formal, as secondary channel (IPI, i.e. through MOAF), and informal channels, as primary channel (PI). Partly due to their sense of hubris over a job well done, the supporters stood back and were almost overwhelmed by the aggressive and popular movement established in opposition to the FTA. The opponents' popularity was based on their intelligent manipulation of informal channels (PI). This lesson was not to be lost on the FTA's supporters. The final phase (ratification), see-sawed between opponents and then supporters. The anti-FTA alliance utilised access to both informal (PI as primary) and formal channels (IPI as secondary) while supporters gained access to both-IPI and PI as primary and secondary channels, respectively (whereas they had previously been confined to formal channels). This situation resulted in the FTA being passed, though with major modifications from what was originally planned. This first case is not unique in that domestic stakeholders had the power to shape and direct Korea's FTA policy.

When it comes to veto players, the President had an important role in initiating the FTA. However, President Kim Dae-jung did not play an active role in the negotiation phase. Finally in the early stages of the ratification phase, President Kim did not play a critical role in supporting ratification due to the upcoming presidential election. The NA, as the other veto player, also had a limited role due to the agricultural sector's influence on rural MPs.

Although the agenda-setting phase can be interpreted using a combination of statist and systemic approaches, once we enter the negotiation phase (forced concessions on agricultural products) and ratification phase (inordinate delay despite support from the president and major political parties) these approaches are not sufficient by themselves to account for the variances that occurred. Hence the application of a societal approach to help us understand these nuances that the former approaches do not explicate.

This FTA was to set the stage for subsequent battles over future FTAs. Indeed, it could be said that not only was an FTA a new economic paradigm but also a new social paradigm for the domestic stakeholders who both opposed and supported

Chapter Three

subsequent FTAs. Any FTA since which has included sensitive factors for domestic actors, has triggered heavy involvement by these or equivalent actors. The following chapters deal specifically with this scenario; Korea–Japan Chapter Four and Korea–US Chapter Five.

Chapter Four: Korea-Japan FTA

Introduction

With the Korean–Japan FTA, although not as accentuated as other FTAs in terms of uniqueness (Korea–Chile) or controversy (Korea–US), key domestic stakeholders were also to have an immense impact on the FTA negotiations. What was unusual in this case was that key business associations (FKI) changed their position vis-à-vis the FTA mid-process (an uncharacteristic move on their part given the fact that they have backed every other FTA to date). This naturally raises the question why they changed their position and, most importantly, what result this had on the FTA process itself. The corollary to these questions might then be how alliances were structured and who exactly was allied with whom?

Whereas the Korea- Chile and Korea-US FTAs saw a broad spectrum approach to utilising channels of influence, the Korea–Japan FTA was also unusual in that two structures of channels of influence (power to influence political institutions and Proximity to key politicians and policy makers) dominated throughout the process, and neither of them were public influence. Although labour unions did access informal channels, their success was severely limited due to domestic factors.

Based on this background, the purpose of this chapter is to examine three main questions;

- i. Who are the key domestic stakeholders in the Korea–Japan FTA process?
- ii. Why they took their respective positions.
- iii. What channels of influence were utilised and why they were utilised.
- iv. Finally, we shall assess the impact these factors had on the FTA process.

Concluding remarks will follow this examination.

Background to Korea–Japan FTA

Brief summary of Korea–Japan FTA Chronology

Official government references to an FTA between Korea and Japan date back as far as 1998. On September 16th, 1998, the Japanese ambassador to Korea, Ogura Kazuo, spoke about the desirability of a joint study on a possible FTA between the two countries. The official proposal for a joint study on a Korea–Japan FTA was proposed by former President Kim Dae-jung when he visited Japan on October 8th, 1998. In return, former Japanese Prime Minister Keizo Obuchi (1999) expressed a positive desire in strengthening the two countries' bilateral relations, beyond the scope of existing economic agreements. The KIEP and its Japanese counterpart, the Institute of Development Economics (IDE), hosted the first symposium on a potential Korea–Japan FTA in May of 2000. According to the estimation of IDE and KIEP (2000a), international competitiveness of both countries would be enhanced under a Korea–Japan FTA. Accordingly, both countries' global exports would increase; Korea by 30 percent and Japan by 34 percent and world trade would increase by 0.71 percent¹.

In 2000, President Kim eventually proposed a Korea–Japan business forum to enable an exchange of views between their respective private sectors. Utilising this proposition as a starting point, both countries established the Korea–Japan Business Forum in 2001. In 2002, the forum adopted a joint statement declaring that both governments should hasten to conclude an FTA. This in turn led both governments to form a government–led joint study group (a governmental, business, academic Joint Study Group (GBA–JSG) was established in July 2002) which was to help provide the impetus and supporting rationale for an FTA. Finally, both countries officially started the first round of negotiations in December, 2003. Between December, 2003 and November, 2004, six rounds of negotiations were held². These six years were eventually to bear fruit, although not of the variety expected. Japan and Korea signed the BIT in 2002, which guaranteed that non–domestic firms would be treated as domestic for investment purposes, at the level of the Organisation for Economic Cooperation and Development (OECD) standard. Bilateral negotiations on the FTA, however, were

¹ IDE and KIEP (2000b) 'Toward closer Japan–Korea Economic Relations in the 21st century,' Paper presented on May 24th, at the International Joint Symposium on toward a Korea–Japan FTA: assessments and Prospects, Seoul.

² Negotiation had taken place every two months.

Chapter Four

suspended at the sixth official negotiation in Tokyo on November 11th, 2004 (see table 4.1).

Table 4.1– Chronology of the Korea–Japan FTA

| Date | Main Activities |
|----------------|--|
| October 1998 | President Kim proposed a ‘ <i>Korea–Japan Partnership Action Plan for the 21st Century</i> ’ and a Joint study on a possible FTA. |
| May 1999 | Prime Minister Obuchi proposed to strengthen the relationship beyond the economic cooperation through ‘ <i>Korea–Japan Economic Agenda 21</i> .’ |
| May 2000 | KIEP in Korea and IDE in Japan presented ‘ <i>Joint Study on a potential Korea–Japan FTA</i> .’ |
| September 2000 | President Kim proposed holding ‘ <i>Korea–Japan FTA Business Forum</i> .’ |
| January 2002 | Korea–Japan Business Forum adopted a <i>Joint Declaration</i> to suggest the promotion of an FTA to both governments. |
| March 2002 | GBA–JSG was formed. |
| July 2002 | The GBA–JSG 1 st meeting took place. |
| September 2003 | The GBA–JSG had hold 7 th meeting. |
| December 2003 | 1 st official negotiation started |
| November 2004 | 6 th official negotiation and subsequent stalemate (to date) |

**Source: The MOFAT (MOFAT), http://www.fta.go.kr/user/fta_korea/info.asp?country_idx=12.*

The official reason stated by both governments was the failure to organise subsequent negotiation agendas due to differences of opinion. In particular, Korea disapproved of Japan’s 50 percent exclusion target for the agricultural produce market (Korea wanted 90 percent access)³, whereas Japan criticised Korea’s reservations in delaying the opening of its industrial products market⁴. The nature of these negotiations meant that frictions did not come entirely as a surprise; heated debate during negotiations was expected due to the similarities with the Korea–Chile FTA negotiations and their subsequent suspensions and Korea-US FTA. It was expected that –in order for negotiations to advance – political incentives to resolve these frictions were necessary, as had happened during the negotiation and ratification phases of the Korea–Chile FTA and Korea-US FTA. However, the Korea–Japan FTA did not follow the template exactly as set out by its Chilean counterpart. Instead, it reached a stalemate and has remained in stasis ever since (as of September, 2009)⁵.

Some would argue that Japanese government might be a major factor in

³ Korea wanted 95 percent of the industrial sectors opened and 90 percent of the agricultural sectors, whereas Japan wanted 99 percent and 50 percent respectively in any FTA between the two countries.

⁴ Interview conducted with Choi Kyoung-lim, a director of FTA policy Bureau of MOFAT, Seoul, September 28th, 2006; Korea Times (15/02/2005) and JoongAng Daily Newspaper (17/02/2005).

⁵ April 21st, 2008, the new President Lee Myung-bak and the Japanese Prime Minister Yasuo Fukuda proclaimed a new era of ‘future-oriented’ relations. After several years of strained relations, the two countries now seem ready to pursue a course of cooperation. They enumerated five points, of which the third point stated; to strengthen economic ties by holding working-level talks to resume negotiations on a free trade agreement, while redressing the trade imbalance between the two countries through, among other things, relocation of Japanese parts and materials manufacturers to Korea-the aim being to re-launch the stalled negotiations.

Chapter Four

explaining this deadlock. For example, Korean Trade Minister Kim Jong-hoon has said that the bilateral talks would have gone smoothly if Japan had agreed, as it had promised, to open more than 90 percent of its agricultural market. Kim also showed cautious optimism, warning that if the FTA talks resumed hastily only to fall apart, this could cause more problems in Korea-Japan relations⁶. However, to the contrary, the facts are that the Japanese government tried to reopen FTA negotiations with Korea in 2007 and 2008⁷, to which the Korean government did not display much enthusiasm.

While there have been various interpretations suggested that lay the cause for these developments at the feet of the Japanese government, this chapter studies the argument that Korea's domestic stakeholders, in particular Korea's large corporations' business associations (i.e. the FKI led coalition), are the principal factor behind the current deadlock (Details in later section). Domestic resistance to market liberalisation was not unusual during FTA negotiations. As discussed in the previous chapter, Korean domestic resistance was significant in shaping the final outcome of the Korea–Chile FTA. What is different about the Korea–Japan FTA negotiation is that, even though the negotiations were suspended, the Korean government has not displayed the political will to resolve the current impasse, despite positive noises from the Japanese. This contrasts sharply with how the Korean government finally grasped the initiative and pushed for a resolution of the stalemate of the Korea–Chile FTA negotiations and Korea-US FTA. This thesis' proceeding section discusses the reasons behind the initiation of a Korea–Japan FTA.

Why Japan was chosen as a potential FTA partner

There are two broad categories of reasons which help explain why Japan was chosen as an FTA partner; external factors (economic and international political factors) and internal factors (domestic political factors). This thesis looks at the argument that

⁶ The Korea Times (25/06/2008).

⁷ 'We are ready to resume FTA negotiations, which have been put on hold since November 2004, at any time and will intensify our call on Korea to restart the process at an early date,' Chief Cabinet Secretary Yasuhisa Shiozaki told a news conference,' (Kyodo Daily Newspaper 03/04/2007). The Japanese government hopes to reopen the FTA with Korea that has been stalled for over three years due to differences between the two sides (Nihon Keizai Newspaper 12/02/2008). Recently, Korean President Lee Myung-bak and Japanese Prime Minister Taro Aso called for the early conclusion of a free trade deal during their summit on 28th June, 2009 and after, Korea and Japan held a working-level meeting to look into ways to resume stalled negotiations for a bilateral free trade agreement.

Chapter Four

both external and internal factors worked in tandem to create a critical mass which resulted in President Kim Dae-jung's government choosing Japan as a regional FTA partner but that it was domestic factors which dictated the outcome of the negotiations. We shall begin by looking at the external factors.

Possible partner countries' intentions are an important factor as well. Japan rated Korea as its most appropriate partner for an FTA. Fukagawa (2000) argued that both countries would benefit from a Korea–Japan FTA, and ranked Korea as a very appropriate FTA partner⁸.

External Factors

Overcoming the financial crisis

As was previously discussed in Chapter Three, Korea–Chile FTA, the financial crisis of 1997 left a devastated South Korean economy in its wake. Floundering policy makers were looking for a light at the end of the tunnel and FTAs, along with regional cooperation⁹, were seen as offering the silver lining that was sought. While the Korea–Chile FTA was begun under the premise that it would be a stepping stone for further FTA's without bringing much FDI itself, the Korea–Japan was initiated under the aegis of developing Korea's economy through Japanese FDI (Kim 2002b: 3; Cheong 2001c; Im 2002). Thus, an FTA with Japan was, in effect, being sought to bring about a renewal of foreign capital inflow. The Ministry of Economy, Trade and Industry (METI) highly rated Korea's promotion policy of attracting foreign investment that was adopted after the crisis. Japan's FDI to Korea sharply decreased after 1994 but rebounded after 1997 (Kim and Kim 2002: 5–10). Japan's share made up 8.1 percent,

⁸ According to 'Japanese Strategies on FTAs' announced by its Foreign Affairs Ministry, Japan seeks to choose FTA partner countries depending on economic, geographical, political and diplomatic criteria and FTA feasibility. Considering these, Japan considered that Korea is appropriate for Japanese FTA strategies, http://meti.go.jp/policy/trade_policy/epa/index.html. And according to Nihon Geizai Daily Newspaper (10/05/2004), Korea was the first country of desirable FTA partner countries to Japan (among countries being examined or under negotiation).

⁹ Enhanced sentiment in favour of cooperation within the region in 1998 and 1999 also encouraged the strengthening of a new regional grouping that brought the Association of Southeast Asian Nations (ASEAN) member countries together with Japan, China and Korea into the 'ASEAN+3.' ASEAN member countries were particularly interested in maximising the benefits from Japan for all members— including those not hit by crisis. And the multilateral platform of ASEAN+3 was seen as a springboard for strengthened bilateral ties in the region — particularly between Japan and Korea and Japan and China. This strengthening, in turn, was seen to provide greater overall regional stability.

Chapter Four

7.8 percent and 9.7 percent of Korea's total FDI in 1998, 1999 and 2000, respectively, amounting the \$550 million, \$1 billion and \$1.98 billion (Im 2002: 69–78).

By concentrating on the areas of international competitiveness based on comparative advantage, each country could allocate economic resources more efficiently and expedite restructuring in both countries. For example, Korean exports were expected to enjoy greater international competitiveness and easier market access in technologically lower-end products such as apparel, leather products, and agricultural, fishery products while the Japanese exports were estimated to do so in more sophisticated trades such as machinery, metal, and chemical products.

Korea, by itself, was too small of an economy to compete directly with either Japan or China a fact that led policy makers to the conclusion that Korea should expand its global market share by establishing FTAs with major trading partners (Shotaro 2006: 3; Moon 2006: 50; Sohn 2002: 10). While Japan possessed a generally higher international competence, both Korea and Japan were suffering losses from excessive and redundant investments and competitive price reductions. Furthermore, the Korea–Japan FTA would fundamentally transform the mindsets of both countries regarding market liberalisation; both countries were, and still are, known to be two of the most protectionist economies among the major trading countries. Therefore, the Korea–Japan FTA was considered to be able to provide effective strategic cooperation between large corporations of both countries (Korea–Japan FTA business Forum on July 7th, 2002). The FTA was expected not only to ameliorate problems associated with the intense competition that existed between the two, but also to strengthen the potential for sustainable economic growth by prompting more active restructuring (Bark and Kim 2005: 23–26; Choi 2001: 477). Furthermore, without a Korea–Japan FTA, Korea stood to lose a potentially great economic opportunity, particularly should Japan chose to conclude an FTA with another South East Asian economy (Sohn 2002: 7).

Security considerations

Security considerations may have also contributed. During the North Korean Nuclear Crisis of 2000, Kim Dae-jung's 'Sunshine Policy'¹⁰ ran counter to the harder

¹⁰ The Sunshine Policy was the South Korean doctrine towards. The doctrine emphasises peaceful cooperation, seeking short-term reconciliation as a prelude to eventual Korean reunification. Since its articulation in

Chapter Four

line taken by the Bush administration and subsequently the Korean government felt alienated at the six party talks (Yu 2006: 80-81; Sohn 2002: 10). This isolation resulted in Korea acknowledging the necessity for closer ties between Korea and Japan.

These considerations – typically addressed as systemic approaches – attempt to explain the context of Korea's adaptation of free trade policy. However, the outcome of the Korea-Japan negotiations underlines the problem of adopting a purely systemic approach in that it does not successfully explain the role that domestic stakeholders played in influencing the FTA's outcome.

Internal Factors

FTAs aren't always bad for agriculture

The Korean government arguably used its FTA negotiation with Japan as a showcase to demonstrate that FTAs do not always damage Korea's agricultural industry¹¹. The agenda-setting phase for the Korea-Japan FTA progressed alongside the difficult negotiations with Chile (Cho and Kim 2002: 136; KIEP 2001). The Korean government ascertained that Korean agriculture was more competitive than its Japanese counterpart and strongly requested that Japan open its agricultural markets during the FTA negotiations. In this regard the government tried to show that an FTA could benefit Korean agricultural sectors¹².

Expectation that a broad spectrum of supporters would by far outweigh any opposition

Initial research¹³ into establishing an FTA with Japan by several bodies (including joint study groups) concluded that opposition to the FTA would be sparse

1998 by South Korean President Kim Dae-jung, the policy has resulted in greater political contact between the two countries and one of historical moments in Korean peninsula, two Korean summit meetings in Pyongyang (June 2000) which broke ground with several high-profile business ventures, and brief meetings of separated family members.

¹¹ Interview conducted with Park Myung-jae, Minister of MOPAS, Seoul, March 3rd, 2007.

¹² Pressian On-line Daily Newspaper (13/10/ 2003).

¹³ Korean Institute for Economics (KIE) (2000); Satoru Okuda (2000) 'How can Korea take advantage of changing Japanese market? An application of Gravity Model and RCA Analysis,' presented at the APEC Study Centre Japan Consortium Conference at Makuhar, December, 16th-17th.

Chapter Four

and far less effective than that which the Korea–Chile FTA was facing. Key ministries, industrial sector representative groups – even the agricultural sector¹⁴ initially – all expressed positive opinions concerning an FTA with Japan. This does not mean to say there was no opposition, the labour movement vehemently opposed any FTA with Japan but government scenarios forecast a weak opposition incapable of mounting an effective disturbance; the 1997 financial crisis weakened the Korean labour movement with layoffs and union membership decline (Kwon 2001: 217). When negotiations began, these expectations proved to be unfounded (Kim *et al.*, 2006: 25-30).

Main issues

There are several important issues involved here that this section will analyse. These are the issues that often came up in the public sphere and were debated by supporters and detractors. These are as follows; economic issues (i.e. potential economic outcome and the opening of the domestic market) and domestic restructuring (i.e. how sections of society that stand to lose out adapt to their changing circumstances, i.e. labour and large corporations).

Economic issues

Some researchers considered a bilateral FTA to be a win–win situation (Fukao *et al.*, 2005: 333–336; Kang *et al.*, 2005: 13-18). Several researches (Moon 2004; Yamazawa 2001; Nakajima and Kwon 2001; IDE and KIEP 2000b; KIEP 2000) pointed out that a Korea–Japan FTA would produce significant long–term and dynamic benefits for Korea. First of all, the elimination of tariffs would affect the level of real GDP. Cheong (2001c) indicated that Korea's GDP would increase 0.22–0.30percent, and IDE and KIEP (2000a:21–23) expected a slight increase 0.37 percent in Korea's real GDP. Secondly, the bilateral tariff elimination could have affected the welfare level of each country. The Korea Institute for Industrial Economics & Trade (KIET) report (2002) estimated that the welfare level of Korea would increase by 0.48 percent, which was attributed to the expansion of private consumption stimulated by the reduction of prices of Japanese imports after tariff elimination. Cheong (2001c) also expected that Korea

¹⁴

Interview conducted with Lee Jung-bak, one of co-leaders of NFF, Seoul, October 7th, 2006.

Chapter Four

could expect to experience an increase in its welfare level by 0.28–0.33 percent in the short-run. Also, there could be significant effects on the total trade balance of each country (see Table 4.2). Although KIEP's estimates of export and import growth rates (2.32 and 3.40 percent) were higher than KIET's (0.43 and 1.0 percent), both studies equally expected that the growth rate of Korea's total imports had the potential to exceed that of total exports, thus aggravating the overall trade balance. In contrast, IDE estimated that a growth in Korea's total exports of 2.8 percent would surpass total imports of 2.47 percent. However, these researches did disagree with each other on some details, some simultaneously suggesting that an FTA would have a negative impact on the Korean economy. As displayed in Table 4.2., Korea's real GDP and welfare level were expected to decline by 0.07 percent. This caused opponents much concern, even though supporters argued that this figure indicated only static effects (Lee 2001: 120).

Table 4.2: Macroeconomic Effects of a Korea–Japan FTA

| Economic indicators (Korea) | KIEP | KIET | IDE |
|------------------------------------|-------|-------|------|
| Welfare (percent) | –0.19 | 0.48 | – |
| Real GDP (percent) | –0.07 | –0.07 | – |
| Changes in total exports (percent) | 2.32 | 0.43 | 2.80 |
| Changes in total imports (percent) | 3.40 | 1.00 | 2.47 |
| Total trade balance (percent) | –1.54 | –0.59 | 0.29 |

*Source: IDE and KIEP (2000a) 'Economic Effects and Policy Direction for a Korea–Japan FTA,' Joint Symposium, Seoul.

Despite these researches, it was argued that such theories failed to reflect the full impact of such an FTA and that gains forecasted by such researches were, therefore, highly dubious (Kim 2002c: 7). Furthermore, the Bank of Korea¹⁵ reported that 67 percent of Korean exports were in competition with Japanese, among which only 9 percent had a higher competitiveness level than their Japanese counterparts. With the elimination of tariffs, as a result of the Korea–Japan FTA, Korean goods would lose ground quickly against Japan's, especially in the short run. This argument received further confirmation from the results of the CGE models which indicated that Korea's trade deficit with respect to Japan would increase by 2–6 billion dollars in the short term (Nakajima and Kwon 2001: 3; Cheong 2001c: 6). Subsequently, it was argued that due to the relevant difference in economic scale and similarity of export structure, the effects would be felt more strongly in the Korean market and would, as a result,

¹⁵ Bank of Korea (BOK) (2000) 'Korea-Japan FTA, competitiveness of Korean industries,' Working paper, August, BOK.

Chapter Four

undergo more industrial restructuring. The difference between the FTA with Chile and Japan was that Korea's export structure was complementary with its Chilean counterpart whereas it was competitive with Japan's. For example, Korea competes with Japan in such industries as steel, automobile, ship building and electronics (Kim 2004d: 50–56). Competition in these sectors would increase if a Korea–Japan FTA was established, and the battlefield would primarily be in the Korean domestic market. Currently, Korean large companies have maintained a certain level of market strength with the help of relatively high tariff rates (Lee and Chun 2004: 146). Upon the conclusion of an FTA with Japan, harsh competition would result with the elimination of the tariff and NTBs and would ultimately lead to industrial restructuring in the less competitive sectors (Lee and Chun 2004; Kim 2004d).

Restructuring Korean industry and its effect on labour

One of the objectives of the FTA was to increase intra-regional trade, which would increase the interdependency of the member countries. For example, the establishment of the EU, NAFTA and Mercosur have all resulted in a significant increase in intra-industry trade among the member countries (Shin 2003a: 250–251; Yeats 1998; Williams 1996: 53). Many studies concerning the effects of an FTA with Japan were carried out during the agenda-setting phase and many of the results tended to agree in principle that it would consist of short term pain and long term gain (see Table 4.3).

Table 4.3: Possible Economic Effects of Korea–Japan FTA

| | | Static Effects | | Dynamic Effects | |
|--------------|--|----------------|--------|-----------------|--------|
| | | KIEP | IDE | KIEP | IDE |
| Korea | Welfare level (%) | -0.19 | 0.34 | 11.43 | 7.09 |
| | GDP (%) | -0.07 | 0.06 | 2.88 | 8.67 |
| | Trade balance with Japan (US\$100 million) | -60.90 | -38.85 | -4.40 | -24.60 |
| | Total trade balance (US\$100 million) | -15.43 | -2.7 | 30.14 | 408.00 |
| Japan | Welfare level (%) | 0.14 | 0.03 | - | 9.29 |
| | GDP (%) | 0.04 | 0.00 | - | 10.44 |
| | Trade balance with Korea (US\$100 million) | 60.90 | 38.85 | - | 24.60 |
| | Total trade balance (US\$100 million) | - | 54.79 | - | 182.00 |

*Source: 'GBA–JSG Report (2003) Korea Japan Free Trade Agreement,' October 2nd, 2003.

Chapter Four

However, the details provided plenty to argue over. On the one hand there were studies that suggested that although the short term results would not be absolutely positive, the long term gains would far outweigh these short term losses. Some¹⁶ argued that if Japanese firms introduced superior technology, Korean industries would have to confront strong competition and would lose their market competitiveness, but the Korean economy as a whole would gain much more 1) as the consumer benefits and 2) the productivity enhancement would be much larger.

With superior technology, Japan would specialise in the production of capital and technological intensive goods with high value added, while Korea would specialise in the production of less capital and technological intensive goods with low value added, or would be converted to an assembly centre (Kim 2004d: 60–62). Cohen argues that this kind of economic interdependence is the natural consequence of market-driven specialisation within a global division of labour (1990: 276).

However, considering that the wage level in Korea was already too high to host plants for simple assembly, and that Japan was already taking advantage of the low wage level in South Asian countries like Indonesia and Thailand, it was highly unlikely that Korea could be easily converted into an assembly centre.

Regardless of the outcome of these expectations, the real possibility was that Japan would take advantage of the FTA with Korea to extend its percentage of market share of industrial products (Lee 2005b; Lee *et al.*, 2005; Cho and Kim 2002: 135). This would increase the competitiveness of Japan overall and, simultaneously, increase Korean dependence on Japan (Kim 2000a: 57). In this process, the less competitive firms would go bankrupt and unemployment levels would increase¹⁷. An inevitable result of this scenario would be the agitation of labour unions and several affected industries (Ahn 2006a: 13). In other words, the process of industrial restructuring would be focused on the Korean economy because of its relatively weaker competitiveness. The potential for industrial restructuring provoked strong complaints and led to a demand for support from certain industrial sectors and even resistance in some quarters to the FTA (Lee and Chun 2005: 260–262). Industrial restructuring would, without question, provoke strong complaints and demands for support for those sectors affected by it.

¹⁶ Lee 2005b; Lee *et al.*, 2005; Cho and Kim 2002: 135.

¹⁷ Munhwa Daily Newspaper (23/06/2006 and 02/10/2006).

Identification of the key domestic stakeholder

The agreement's main supporters were; MOFAT, business associations (although their support was not long-lived) and East-Asianists (i.e. academics, public officials, political commentators, etc. who saw the East-Asian triumvir of Korea, Japan and China as the way to establishing Korea's mark on the world stage, see below for further details).

While there is a strong sense of symmetry between the positions of the MOAF re Korea-Chile FTA and the Ministry of Labour (MOL) re Korea-Japan FTA, the actual role MOL played was far more neutral than MOAF¹⁸. Following the almost public fracas over the Korea-Chile FTA, central government demanded that government ministries adopt a more pro-FTA attitude. Labour unions; Federation of Korean Trade Unions (FKTU) and Korean Confederation of Trade Union (KCTU) were insisting that such an FTA would be detrimental to their interests¹⁹. The result was that MOL attempted to play it safe by adopting a more neutral approach, thus denying themselves an important role as a domestic stakeholder²⁰.

Those who opposed the FTA were; labour unions, business associations (see below) and anti-globalisationists. There are points of variance between the Korea-Chile FTA and the Korea-Japan FTA that are worth pointing out at this early phase. Both FTAs shared a similar supporting structure during the agenda-setting phase (i.e. key ministries and large businesses), however the later negotiation phase of the Korea-Japan is strikingly dissimilar from its Chilean counterpart in that large business associations had abandoned their earlier position of support to one of deflecting the agreement from proceeding. This dissimilarity is critical in explaining the dichotomy between the relative success of the Korea-Chile FTA and failure of the Korea-Japan FTA.

¹⁸ Interview conducted with Lee Sang-uk and Hong Jung-woo, international negotiation team in International Cooperation Bureau, MOAF, Seoul, on September 26th, 2006.

¹⁹ Interview conducted with Chung Byung-duk who was deputy-manager of KCTU, Seoul, October 4th, 2006.

²⁰ Interview conducted with Kim Jung-sun, deputy director of international cooperation bureau in Planning and coordination office in MOL, Seoul, October 13th, 2006.

Supporters and their rationale

Three groups are analysed here; key government ministries, business associations and East Asianists. Despite the similarities in the rationale behind the support each of these groups gave to the Korea–Japan FTA, there is sufficient disparity in the details to warrant separate analyses.

Key government ministries

For many years the MOFAT has been the most important government ministry when it comes to organising trade agreements with foreign countries²¹. Of the government ministries involved in the Korea–Japan FTA, the MOFAT's support was crucial to its survival. The MOFAT saw Japan as a rich source of FDI, as opposed to Chile, where the negotiation of an FTA was a more symbolic gesture (Choi 2001: 480). The MOFAT was also of the view that a competitive Japanese economy – although potentially harmful to the Korean economy in the short term – would revitalise and energise a lagging Korean economy. The ministry acknowledged²² that some sectors (FKI, KCCI, KITA and FSMB) of Korean industries would suffer comparative economic disadvantages.

MOAF

MOAF had, prior to 2003 and the election of President Roh Moo-hyun, sailed something of an independent course to the rest of the government regarding the Korea–Chile FTA. Following the elections of 2003, the MOAF found its wings had been snipped. Despite individual disagreements over government policy, the ministry as a whole followed the government line much more closely during the Korea–Japan FTA (Choi 2001: 485).

Business Associations – the FKI led coalition

There were several industrial business associations involved in the FTA process.

²¹ More details see 'Key government section' in the Chapter Three Korea–Chile FTA.

²² Interviews conducted with Choi Kyoung-lim, director of FTA policy Bureau in MOFAT, Seoul, September 29th, 2006.

Chapter Four

Of these, the most important were; The FKI, the KITA, FSMB and the KCCI²³.

Together, they formed a coalition whose nominal leader was the FKI. Korean business associations were keen to display a receptive facade to the idea of an FTA with Japan.

An important factor to keep in mind when analysing business associations' support for the FTA is *when* the early phases of the Korea–Japan FTA agenda–setting phase occurred. Korea had just suffered an economic collapse and The FKI did not want to be seen standing in the way of necessary reforms that would alleviate the country's distress. A prime example of this avoidance of confrontation over distasteful reforms is the 'Big Deal'²⁴ policy of July 1998, a policy package that aimed for corporate reform and increased financial liberalisation. The government instituted the Big Deal program to force the five largest chaebols to reorganise their business structure and concentrate on their mainline industries. The agenda–setting phase of the Korea–Japan FTA took an inordinate amount of time to conclude, so much so that the country's leaders declared the financial crisis over by the time the negotiation phase began. Hence the FKI²⁵ felt more insulated from harm should they decide to oppose said reforms.

The FKI and its Japanese counterpart, the *Keidanren*, reinforced the need for an FTA between the two countries through academic studies, formal channels of influence and other methods. Certainly, the FTA Business Forum had positive effects in gaining the support of business associations. For example, in the Korea–Japan FTA Business Forum of September 2001 that opened in Seoul, Cho Suk–rae, the Chairman of the Hyosung Group, argued that FTA formulation was necessary to escape the economic stagnancy that both Korea and Japan were experiencing. Park Yong–sung, Chairman of the KCCI, held a press conference where he presented the “*Business Associations' View of the Korea–Japan FTA*,” stressing the necessity of an FTA in 2002. Park admitted that an FTA with Japan might have damaging effect on manufacturing industries, but argued that if complete removal of present tariffs were to take about ten years and particular industries were incapable of maintaining competitiveness, they should rightfully be

²³ Korean SMEs in theory were in favour of the FTA. For instance, in a FTA related survey with 399 SMEs, 86.1 percent were in favour, and 13.9 percent were not. Reasons for support were increase in exports (43.2 percent), decrease in prices of imports (38.4 percent), and increase in productivity (36.6 percent), while reasons for opposition were entry of Japanese firms in Korea (71.6 percent) and worries of increase in Japanese imports (66.7 percent) (Venture Daily Newspaper 31/08/ 2003).

²⁴ As a result of the government's reform drive, Hyundai absorbed Hanhwa's oil refinery business; Hyundai, Daewoo, and Hanjin integrated their aerospace and railway carriage businesses to establish joint firm 15; and Hyundai absorbed LG's semiconductor business (Lee 2005d: 293).

²⁵ Interview conducted with Na Hyung-kun, a director of International Economic Research Department, FKI, Seoul, November 26th, 2005.

Chapter Four

weeded out²⁶.

Most importantly, the FKI suggested the Korea–Japan FTA as a primary step in realising the Korean government’s “*Northeast Asian Economic Cooperation Plan* (NAECP)”. Business associations’ support created a synergistic relationship regarding both policies (at least initially), i.e. support for the NAECP tied in nicely with support for the Korea–Japan FTA and vice versa.

Although the FKI led coalition initially supported the FTA, as circumstances changed so did the level of their support (Cheong 2001c: 77). Support for the Korea–Japan FTA did not wane overnight, however. The process of shifting from support to opposition had three phases; from overall support to conditional support and, finally, to opposition. Overall support was marked by large corporations’ unwillingness to seem intransigent in the face of the 1997 financial crisis. The move to conditional support, while not entirely fluid, is an important milestone in tracing this shift and consists of the FKI sending signals that dealing with the issues surrounding NTBs were vital for their support (see below). The worst of the ’97 financial crisis had passed – removing the need for the FKI to acquiesce to unpalatable government policies – and, in the mean time, FKI had had time to digest the possible outcome of an FTA with Japan and most found it distasteful, hence the move to conditional support. The move to conditional support was part of the chess game that the FKI–led coalition was playing with the government. Conditional support was one step removed from opposition and this was the journey that the FKI led coalition was consciously undertaking.

East Asianists

Since the Asian financial crisis in 1997, Korea has actively promoted East Asian regional cooperation and has been enthusiastic in its efforts to form a regional cooperative organisation for East Asia. The need to strengthen East Asian regional cooperation is a common argument heard in Korea (Chung 2006a: 115; Byun 2001: 43). As a response to the “regionalisms” of North America and Europe, East–Asian regionalism had gained popularity among many commentators (Pempel 2006: 242; Kawai 2004: 32; Desker 2004: 4–7; He 2004: 112). This trend dates back to President

²⁶

Korean Economic Daily Newspaper (19/03/2002).

Chapter Four

Kim Dae-jung when, in 1998 at his recommendation, both the East Asian Study Group (EASG) and the East Asian Vision Group (EAVG) were founded²⁷. The fundamental philosophy behind this movement was one of regional integration, specifically an economic integration that would be to the benefit of all similar to the EU or NAFTA. Initially, China, Japan and Korea would initiate economic cooperation and clear a path for others to join. However, due to the realities of history and ideological differences such a triumvirate was impossible to forge at that moment in time (He 2004: 110; Kim 2002b: 2). It was therefore suggested that bilateral moves towards such integration would offer more immediate success, such as a Korea–Japan FTA or a Korea–China FTA (Sin and Yoo 2003: 140).

These ‘East Asianists’ emphasised the necessity of East Asian regional cooperation in their support of the Korea–Japan FTA and advocated that Korea should actively participate in and lead the establishment of such cooperation. These academics, politicians and policy makers included, amongst others, Presidents Kim Dae-jung, Roh Moo-hyun and their supporters (Hong 2006). Not all East Asianists were of one mind though. Some of their approaches may have differed but what is important here is that their support for bilateral/regional integration was a fundamentally defining characteristic. Some East Asianists (Park 2006; Lee 2004b; Lee and Jeon 2004; Lee 2000) stressed integration on the basis of security while others on the basis of economics (Chung 2006b; Sakakibara 2003).

Of those who argued for integration on the basis of security, the lead among them was President Roh Moo-hyun. He adapted and developed President Kim Dae-jung’s concept of Asian regionalism. He viewed Korea as a ‘*balancer of power*’ between the US and China (Lee 2007a; Hong 2006; Chang 2005). In order to achieve his goal, it would be necessary to create a stronger well of political gravitational power in East Asian (i.e. Korea), helping to create a more secure region (and one of vastly more importance). Acting on this impulse, FTA agenda setting was initiated with both the US and China. However, the Korea–US FTA was completed and awaiting ratification while the China FTA had yet to get off the ground. This prioritisation and comparative ‘fast tracking’ was a spanner in the works of President Roh’s attempt at regionalism. (The Korea–US FTA shall be dealt with in the following chapter).

²⁷

As proposed by President Kim, the leaders of ASEAN countries, China, Japan and Korea agreed to establish the EAVG and EASG in December 1998 and November 2000 respectively.

Chapter Four

The second group – those who supported regionalism on the basis of economic growth and stability – was a larger, more vociferous group. The financial crisis of 1997 resulted in a situation where measures were necessary to stabilise the economy. One of those measures that gained widespread traction was that of regional cooperation. For example, Lee Suk-young, a KITA former chairman, argued that – in addition to cautious advancement of the agenda-setting phase of the Korea–Japan FTA – the formulation of the FTA would contribute to regional cooperation in East Asia; ‘for a meaningful regional economic cooperation to be founded, the involvement of Korea, Japan, and China is essential and at present, the most feasible seems to be an FTA between Korea and Japan²⁸’.

Opponents and their rationale

Those who opposed the FTA with Japan consisted of a large number of people and a not inconsiderable number of groups; labour, agricultural sector, anti-globalisationists, some business associations and civic groups. Anti-globalists are not included under the ‘civic group’ rubric because they were (and still are) more of an ad hoc people’s movement rather than an organised civic group. Of those who opposed the Korea–Japan FTA, business associations and the agricultural sector would seem the strangest of bedfellows. Business associations had an interesting journey during the first few years of the agenda setting phase, from support (see above) to conditional support and eventually outright opposition (see below). As for the agricultural sector, their opposition flies in the face of what would seem to be their interests, i.e. that an FTA with Japan would suit Korean agriculture on the basis of comparative advantage (see below). This section will deal first with labour.

Labour Unions

Labour unions, from the outset, opposed the FTA because they understood that to compete with a more competitive economy (and, therefore, industries) would cause

²⁸

Maeil Business Daily Newspaper (10/07/ 2003).

Chapter Four

losses to domestic industries which would inevitably be passed on to the labour force. Furthermore, FTAs were seen as an aspect of neo-liberal economic globalisation, of which one of the tenets of the “Washington Consensus” was labour flexibility and this was invariably interpreted as a) weaker job security and b) the casualisation of employment²⁹.

The FKI and labour unions were of similar opinion regarding Korea–Japan FTA’s threat to Korean industry. The distinction between the two groups was that labour opposed the opening of industrial markets on the basis that this would increase the flexibility of labour markets, whereas business associations and large industrial employers took each FTA on a case by case basis (i.e. based on their competitive advantages)³⁰. Many of the major labour unions in Korea perceived the FTA as a device that would harshly impact upon Korean industries which, in turn, would affect job security and worsen general labour conditions.

Lee Su–ho, the leader of KCTU, described the Korea–Japan FTA as:

“a match between light–weight and heavy–weight, without any protections,” and said “the government that broke down the agriculture industry through the Chile FTA was the same government trying to destroy primary industries through the Japan FTA. We will fight the implementation of the Korea–Japan FTA³¹”.

The FKTU joined in the KCTU’s declaration and stood ready to oppose the Korea–Japan FTA. The fiercest opposition, however, was supplied by the National Metals Labour Union (NMLU), which included labour unions from the automobile industry (essentially Hyundai automobiles’ labour union). The Daegu branch of the NMLU gave two reasons for opposing the Korea–Japan FTA, which are indicative of many labour unions’ principles concerning the FTA³²; the first point was the massive restructuring of industries – such as automobiles, machinery and metals – that would result from an FTA with Japan and concomitant labour flexibility. The second, and more important, reason is that Japan’s proposition for 13 matters – concerning labour–management relations – in the FTA negotiation was specifically designed to weaken

²⁹ Interview conducted with Chung Byung-duk who was vice-manger of KCTU, Seoul, October 4th, 2006.

³⁰ For example, while automobile industries were expected to suffer losses from the Korea-Japan FTA, they were expected to benefit from the Korea-USA FTA. Unsurprisingly, labour unions have opposed both. Large corporations (who stood to gain) supported the Korea-US FTA, while they opposed the Korea-Japan FTA.

³¹ KCTU (2004) ‘Suspend the Korea-Japan FTA, a neo-liberal gamble risking national economy.’

³² Interview conducted with Kim Hyung-sung, head of regional director of NMLU, Seoul, October 17th, 2006.

Chapter Four

labour unions. Hyundai Automobiles' Labour Union (HALU) proceeded to announce that they "preserve [their] right to live, oppose the Korea–Japan FTA and there will be powerful struggles, including general strikes³³." The HALU sent protesters to join the nation–wide demonstration in front of the fifth round negotiation in Kyungju City on August 23rd, 2004. Much of this opposition from Korean labour unions had a similar philosophy to those who opposed the FTA on 'anti–globalisationist' grounds³⁴.

Labour unions felt that the '97 financial crisis was evidence of how globalisation treated the labour market (Kwon 2001: 220-221). Furthermore, they viewed the FTA as another part of the process of globalisation. Considering the effect that the '97 financial crisis had, they were understandably wary of anything that resembled further globalisation. A brief look at the result of the '97 crisis may help to put things in perspective.

A total of 22,828 firms³⁵, most of which were small and medium enterprises (SMEs) went into bankruptcy during the year of 1998³⁶. Firms that had survived financial pressure had to call off planned investment and downsize the scale of scheduled production. As a consequence, overall GDP growth recorded a 5.8 percent decline in 1998. Production in manufacturing showed a 7.2 percent decrease as the average operation rate in the manufacturing sector remained 13.8 percent below that of the previous year (Chung 2003: 196). About a million lost their jobs during the first half of 1998, when the unemployment rate skyrocketed from 2.8 percent in 1997 to about 8 percent at the end of the first half of 1998. Accordingly, real wages also decreased more than 9 percent during 1998³⁷.

The rebound from 1998 was not entirely to labour unions' liking either. The unemployment rate and bankruptcy rate decreased after 2000. By 2001, the unemployment rate was around 3 percent and the bankruptcy rate fell to a comparatively low level as well. However, such decreases were not followed by a narrowing of the gap between the wealthy and the poor. One of the reasons for the decrease in unemployment and bankruptcy rates relates to the employment structure

³³ Labour Newspaper (02/10/2003).

³⁴ Interview conducted with Baek Hyun-gi, executive director of FKTU, Seoul, October 22th, 2005.

³⁵ The number of employees of SMEs in 1998 was about 7.65 million, 7.3 percent less than the year before, as the bankruptcy of SMEs increased since the IMF era (Hong 2002a: 112). That is, an unprecedented number of some 23,000 SMEs went bankrupt in 1998; a 33 percent increase to the bankruptcy rate of the year before (Yang 2003: 360-361).

³⁶ National Statistical Office (NSO) (2000) 'Unemployment rate after the financial crisis.'

³⁷ Labour Newspaper (10/12/2000).

Chapter Four

adopted through the International Monetary Fund (IMF)'s Structural Adjustment Policy (SAP) (Shin 2007: 507). Although most dismissed workers were re-employed, many found themselves in worse working conditions than before. A sharp increase in casual labour post-'97 supports such a view. According to a report (2003)³⁸ from the NSO, casual employees numbered around 7.37 million, accounting for 55.7 percent of all labour. The casual employee, which accounted for 44 percent of labour in the early stage of the IMF period, is now considered to be a more general mode of employment (Kim 2007b: 480-481). The decrease in the unemployment rate mentioned above is attributable to this casualisation of employment, i.e. without job-security or benefits. The question as to why the decrease in the unemployment rate was not followed by a narrowing of the gap between the rich and the poor, or a diminution of the poverty class, can be answered by realising that the casual labour wage is about half that of regular employee (Lee 2002a: 29).

The process of globalisation which labour unions opposed was well described in The KCTU's report on the Korea-Japan FTA³⁹.

Primary industries, such as machinery, automobiles, and electronics will be forced to compete against Japanese industries in the course of advancing into "highly developed industries" through the Korea-Japan FTA, and such a course will accompany extreme restructuring in the name of "effectiveness," "economy of scale," and "resolving the redundant investment issues." This would set off massive serial dismissals and employment insecurity, as witnessed during the IMF period, and will go on to cause extensive casualisation of the workforce. The more vulnerable members of society and labourers have always been most affected by intensified international competition. The cost and the competition pressures brought about by the Korea-Japan FTA will undoubtedly be borne by labourers.

Anti-globalisationists and civic groups

Both civic groups and anti-globalisationists groups opposed the FTA on very similar grounds and therefore, for the purposes of this chapter, have been included together for analysis. Although both did differ slightly on some issues, the broad strokes of their arguments consistently echoed each other.

However both groups were synchronised in their argument that Japanese comparative economic advantage would disrupt and adversely affect much of the labour force that worked directly under industries that would have to compete with their

³⁸ 'NSO Survey of Korea's current employee drift,' September.

³⁹ FTA-DDA Korea Confederation of Trade Unions Investigation, 'The state of affairs of the Korea-Japan FTA and other measures,' (August 31st, 2004).

Chapter Four

Japanese counterparts. This knock on effect was compared directly to the '97 financial crisis. Although the 1997 financial crisis and a Korea–Japan FTA are completely different phenomena, their association with 'globalisation' implied that the effects would be comparable (Park 2004a: 360).

The Asian economic crisis in 1997–98 led to a fundamental change in the administration of the Korean economy. The so-called '*neo-liberal economic globalisation*' was on its way (Cheong 2004b). Civic groups opposing this process began to take shape and eventually led to anti-globalisation movements, similar to many movements which had taken shape around the world (i.e. Seattle WTO meeting, 1999⁴⁰). The Korea–Japan, Korea–USA investment agreements, the Korea–Chile FTA and the Doha Round of WTO negotiations all inspired anti-globalisationists groups to further proliferate (Lim 2002: 187–188). Their consciousness of the issues rose at these negotiations and their willingness to engage in confrontation based on this knowledge were well displayed in the public declaration delivered jointly by the KCTU and the Anti-WTO National Movement, an umbrella organisation of anti-globalisation organisations (with civic groups acting as an enabler)⁴¹. On April 26th, 2004, the anti-globalisation organisations organised a street demonstration demanding the suspension of the third round of Korea–Japan FTA negotiation.

We have consistently pointed out that all sorts of investment agreements and FTAs promoted by the Kim Dae-jung regime are acts that threaten and destroy the fundamental rights of the Koreans to live and work, while instigating the disposal of fundamental industries of the country, and benefiting only transnational capital. We denounce the government for ignoring such points and concluding the investment agreements with Japan. We will resist the agreement that only benefits transnational capital, till the end. Hereafter, we will protest to suspend the negotiation of the agreement, and our resistance will go on to fight Korea–USA investment agreements and the Korea–Chile FTA with further support from the people⁴².

They labeled the market liberalisation contained within FTAs and as promulgated by the WTO as part of a neo-liberal globalisation process that guarantees profits to the FKI while reducing the rights of labour unions and people, and criticised

⁴⁰

The massive protests at the Third Ministerial Meeting of the WTO in November 1999 resulted from broad and accelerating changes in global social and political relations. Many protesting groups had been involved in previous struggles for global economic justice that shaped their identities and strategies in Seattle. There were the transnational activist linkages and a division of labour was present whereby groups with local and national ties took on mobilisation roles while groups with routinised transnational ties provided information and frames for the struggle.

⁴¹

Anti-WTO National Movement (AWN) and KCTU, "Denunciations on the decision to promote the Korea-Japan investment agreement and the Korea-Japan FTA," (March 23rd, 2002).

⁴²

Hankyoreh Daily Newspaper (27/04/2004).

Chapter Four

the FTA on the basis that it would cause a widening of the gap between the haves and have-nots, a drop in real wages, divestiture of work and increases in public service fees⁴³. They opposed the Korea–Japan FTA specifically for similar reasons; they believed that while the Korea–Chile FTA threatened the rights of farmers, the Korea–Japan FTA would undoubtedly threaten labour unions, and emphasised that the Korea–Japan FTA would be an especially great burden on labour⁴⁴.

The vice-chairman of the KCTU, Shin Seung-cheol, asserted that the outsourcing of factory labour was accelerating even before the FTA was signed or ratified. He stated that if the Korea–Japan FTA was ratified, it was evident that less competent companies would be encouraged to transfer their plants abroad and decrease jobs in order to achieve competitiveness⁴⁵. Civic groups sympathised with the labour unions:

During the past decade, we have seen how destructive the liberalisation of investments and trade, removal of tariff and NTBs, privatisation of public services, and neo-liberal restructuring could be to our economy and life. It has caused us nothing but a ‘flood of tears,’ by widening of the gap between the wealthy and the poor, lowering real wages, aggravating working conditions, depriving us of jobs and raising public service fees⁴⁶.

In particular, the neo-liberal restructuring carried out after the economic crisis was disastrous to labour unions. As many scholars argue, under the IMF system, the gap between the wealthy and the poor has widened and the indigent class has rapidly grown (Yang 2004: 2). It was deemed unlikely for these circumstances to improve within a decade under the then current political and economic conditions. To the contrary, the labour unions feared that things would become more complicated should another neo-liberal trade treaty (such as an FTA) be forced onto Korea. Chung Hae-jun, a statesman from Democratic Labor Party (DLP), defined FTAs as another form of neo-liberal globalisation⁴⁷.

⁴³ Interview conducted with Kim Sung-jong and Park Sung-jik, respectively leader National Confederation of People, AWNM, Seoul, October 12th, 2005.

⁴⁴ Labour Newspaper (27/04/2007).

⁴⁵ Pressian On-line Daily Newspaper (26/04/2004).

⁴⁶ Interview conducted with Seo Ju-won, secretary of The KPAFW, Seoul, October 6th, 2006.

⁴⁷ Hankyoreh Daily Newspaper (13/03/2004).

Chapter Four

Farmers' Associations

According to the Korean government's available data on agricultural competitiveness, Korean farming held the upper hand⁴⁸ in any FTA with Japan. Ostensibly at least, this would seem to have been a propitious beginning to Korean agriculture's relationship with the Korea–Japan FTA. This was not to be the case. In fact, the agricultural sector did not oppose the Korea–Japan FTA, but neither did they support it (Lim 2004: 50). Before dealing with the next domestic stakeholder, it would be worth while analysing why exactly they did not play a major role in influencing the Korea–Japan FTA. Initially, during the early stages of the agenda–setting phase, many in the agricultural sector were not opposed to the FTA with Japan. The focus of farmers' associations was the Korea–Chile negotiation and its eventual outcome. As time wore on and the final phase of the Korea–Chile FTA became more divisive, civic groups began publishing papers which countered the government's information regarding agricultural competitiveness between the two countries. As this information filtered through the agricultural sector and ratification of the Korea–Chile FTA began to look more and more likely, it caused large sections of the farming community to become more wary of supporting the FTA with Japan.

The fact that Korean agriculture lacked international competence was widely acknowledged. However, Japan was the only market to which Korean agricultural products could be exported competitively. Therefore, analysts expected that Korea would insist on opening the agricultural markets of Japan (Choi 2004b: 90; Lim 2004: 50). In contrast, when the FTA with Chile received ratification from the NA – a country whose agriculture was more efficient than Korea's – farmer's associations and rural members of the NA strongly opposed the FTA during its ratification phase. The government wished to prove (through the Korea–Japan FTA) that FTA negotiations were not always detrimental to farmers⁴⁹. However, civic groups argued to the contrary⁵⁰. Finally, the farmers' associations harboured similar reservations regarding both FTAs. Both were aspects of globalisation and, for reasons more fully elaborated in the previous chapter, both were opposed on this basis.

⁴⁸ Choi Se-gyun (2004b) 'Korea-Japan FTA and agricultural effects and negotiation strategy.'

⁴⁹ Interview conducted with An Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005 and the Korean government had tried to persuade farmers in order to get Korea-Chile Ratification using Korea-Japan FTA which could bring benefits to them (Pressian On-line Daily Newspaper 30/10/2003).

⁵⁰ Interview conducted with Seo Ju-won, secretary of The KPAFW, Seoul, October 6th, 2006.

Chapter Four

Business Associations

This section is broken down into three parts due to its importance to this chapter’s main thesis and the fact that there are several strands here that have to be delineated. The first sub-section will deal with the importance of NTBs to the FKI led coalition and their position vis-à-vis the Korea–Japan FTA. The second sub-section deals with the business associations’ position of conditionality in more general terms while the last section deals with their opposition to the FTA.

The FKI’s position on the Korea–Japan FTA was often characterised⁵¹ as ‘support of the collective businesses, opposition of the individuals.’ In other words, Korean industries supported the principle of opening markets *per se*, but Korea–Japan FTA support was tagged with a specific set of conditions concerning NTBs. The fact was that Korean exporting industries experienced difficulties in accessing Japanese markets due to the various NTBs (see Table 4.4). Critically, the goal of the FKI led coalition was to flag the issue of NTBs on the understanding that this issue was a sensitive issue for the Japanese, thus creating an immediate roadblock to further negotiations⁵². In order to guarantee the support of the FKI and its affiliates, it was absolutely necessary that the MOFAT put this issue on the agenda. The efficacy of the FKI led coalition’s use of NTBs as a way to slow down the FTA is best demonstrated by displaying how relevant this issue was to Korean–Japanese trade.

Table 4.4: Case of Japanese NTBs⁵³

| Cases of NTBs against Korean Products by Japan | |
|--|--|
| i. | Temporary blockade of automobiles by ship |
| ii. | Discrimination of marine products |
| iii. | Tariff quota of belts |
| iv. | Import limitation of silk products |
| v. | Complicated license acquisition process |
| vi. | Harsh inspection standards for some agricultural and marine products |
| vii. | Harsh government consumption regulations |
| viii. | Recycling systems of electronic products |

*Source: MOFAT 2003, “*Trade Environment Abroad*.”

As can be seen in Table 4.4 and 4.5, Korean export industries had to pass

⁵¹ Such views are also vindicated by the remark from Hyun Min-kuk, vice president of FKI. He has commented ‘though supportive to Korea-Japan FTA in general, many of the industries demurred at each item,’ (Maeil Business Daily Newspaper 09/06/2003).

⁵² Interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005.

⁵³ For more details on the non-tariff related information refers to the following literature; Lee and Jeon (2004).

Chapter Four

various NTBs to gain entry, receive inspection, and circulate their products within mainland Japan. The importance of NTBs in the Korea–Japan FTA can be seen clearly by their inclusion at the suggestion of the Joint Study Group in March 2002. Another relevant reason behind the importance of NTBs is that – in addition to being conscious of Korean industries – the principle of pursuing a balance of gains in the negotiations was important. To elucidate this point further; Korea had much higher tariffs in comparison to Japan and removal of tariffs by FTA formulation would be greatly disadvantageous for Korea. Subsequently, a removal of Japan’s NTBs was deemed necessary to balance the equation to help resolve these of imbalances. The following comment by Fukao *et al.*, (2005: 276), a Japanese specialist on Korea–Japan FTA, clearly shows this aspect of NTBs barrier discussion:

In the political background of such discussions there is the fact that with regard to tariff barriers, Korea has higher tariff rates in place against Japan than Japan has against Korea (according to the Global Trade Analysis Project (GTAP) Version 4 Database the figures are 7.9 percent against 2.9 percent, respectively). Accordingly, in the event that tariffs are abolished through the Japan–Korea FTA, Korea would have to make greater concessions to Japan. Given the pervasiveness of NTBs in Japan, Korean can increase its exports to Japan if reductions of NTBs are included in a prospective FTA agreement.

The conditional support expressed by the FKI was not entirely representative of its individual members, as noted above. Korea’s trademark industries – automobile, machinery, electronics and chemicals – expressed some degree of dissension with the formulation of an FTA with Japan. This was to eventually blossom into out and out hostility and opposition during the negotiation phase (see below). The support given by business associations was dependent primarily on the issue of NTBs and this conditionality always meant that the support offered by the FKI was susceptible to the changing of circumstances surrounding NTBs. Business Associations expressed support at the agenda–setting phase for the government’s policies but chose to point out the dangers of the FTA in discussing possible side–effects, while clearly stating their demands⁵⁴. These parties had their own discreet negotiation channels with the government, so they did not have to oppose the policies head–on.

⁵⁴

According to the suggestions made by the FKI (28/04/2004) at the third Korea–Japan FTA negotiation conference, the FKI argued that they should delay the discussion and adopt the offer of exchanging the concessions rather than the request that was proposed by the Japanese. FKI International Economy Team (2004b), ‘The View of FKI on the Korea Japan FTA Core Issues.’

Chapter Four

Table 4.5: Japan's NTBs to Korean Exporters

| <i>Types</i> | <i>No. of cases</i> | <i>Main content</i> |
|---------------------------------------|---------------------|--|
| HS classification | 2 | <ul style="list-style-type: none"> - The inaccurate classification of raw materials in red ginseng. - Not recognising a set of clothes as one item. |
| Inspection & customs | 16 | <ul style="list-style-type: none"> - The absence of a uniform custom clearance form. - The requirement to complete excessively detailed packaging lists and charges of high tariffs. - The prohibition in using preservatives in cosmetics. - Time consuming customs clearance. - The requirement of non-genetically modified organism (GMO) forms. - The high harbor taxes levied when using provincial harbors. |
| Market access & distribution barriers | 21 | <ul style="list-style-type: none"> - Import tariffs paid by the exporting company. - The prohibition on using timber packaging. - Being pressured to use Japanese distribution companies. - Misusing the strict product quality requirements as a way to return goods. - More favourable policies for the domestic products by the Japanese government. - The passive attitude of the Japanese dealers concerning parallel dealership. |
| Technological barriers | 6 | <ul style="list-style-type: none"> - The high cost and time-consuming process of obtaining Japanese Industrial Standards (JIS). - The extra costs associated with multiple authentication. - Favours Japanese firms in satisfying standards and obtaining a certificate. |
| Living | 3 | <ul style="list-style-type: none"> - The strict application of immigration rules on Koreans when they travel via Hong Kong or Thailand. - The difficulties in obtaining multiple 5-year visas for newly recruited staff of Korean companies. |
| Tax system | 1 | <ul style="list-style-type: none"> - The undisclosed reasons behind the estimated calculations of Value Added Tax (VAT). |
| Total | 49 | |

*Source: KITA (2003) "The Non-Tariff Barriers in Japan,"; Chong et al., (2005) et al., eds., *Korea-Japan FTA: Toward a Model Case for East Asian Economic Integration*, KIEP.

Conditional support

Korean companies and the FKI indicated some degree of reluctance in their support during the agenda-setting phase. Although business associations displayed a united front of supporting the FTA with Japan, behind closed doors there were early signs of unease. This concern was flagged as early as May 2000. At a conference related to the Korea-Japan FTA, sponsored by KIEP, views opposing the FTA were offered by officials of the KITA. They insisted that Japanese companies would overwhelm Korean companies if direct competition was allowed. Also, a managing director from Samsung Electronics, Jang Il-hyung, warned that the Korea-Japan FTA would end up only increasing the importation of Japanese products⁵⁵. Similar concerns were demonstrated at the 32nd Korea-Japan Business Conference in Tokyo, in June 2000. One of the Korean representatives, president of Samyang company, Kim Sang-ha declared, "Though (we) agree to the basic principles of the Korea-Japan FTA, sufficient

⁵⁵

Munhwa Daily Newspaper (18/05/2000).

Chapter Four

discussions are required as there are discordances in each industry and field; therefore we have reservations about an early conclusion⁵⁶.” What is interesting here is that the very industrial sectors that chided the protesting farmers for their ‘collective selfishness’ during the Korea–Chile FTA were either “opposing” or calling for “prudence” in the Korea–Japan FTA. The important question remains as to why they changed their position in relation to the Korea–Japan FTA.

As the agenda-setting phase wore on, circumstances changed. By 2000, the government declared that Korea’s financial crisis had passed, thus alleviating the pressure on the FKI to acquiesce to government policy they felt ran counter to their interests (Hong 2002a: 115). Furthermore, updated and more recent reports forecast a less than robust picture of an eventual FTA with Japan and were enough to give major industries and their associations second thoughts about possible benefits. The issue of conditionality gained traction among many industry leaders. The concept of conditionality, while of itself a useful bargaining tool, was also a means to delay the process. A delay at this stage, so the theory went, would allow the large industries, who were having second thoughts, time to come to a more considered opinion⁵⁷.

According to the FKI, only 28 percent of 1,522 companies approved of the FTA with Japan, while 17.6 percent called for further studies, and 54.4 percent for amendment⁵⁸. Similar views on the Korea–Japan FTA were repeated in another survey conducted by the FKI (see Table 4–6). As can be seen in this table (4–6), most companies’ views – grouped according to industry – on the Korea–Japan FTA were discouraging. Whilst only textile industries’ appraisal of the FTA was positive, steel, semi-conductor, and precision machinery industries judged it to be of little consequence. The remaining industries found it inauspicious. Primary exporting industries – including electronics, automobiles, petro-chemical and shipbuilding – described the FTA as of no benefit. These views were based on the fear that high-tech industries would suffer from competition against Japan and, hence, be forced to restructure to produce low-value products⁵⁹. Despite a cajoling MOFAT, the FKI were aware that negligible Japanese

⁵⁶ Chosun-Daily Newspaper (03/06/2000).

⁵⁷ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 19th, 2005.

⁵⁸ Maeil Daily Newspaper (13/07/2004).

⁵⁹ This is in conformity with Japanese intentions for the Korea-Japan FTA: the Japanese government and business leaders intended to reform their industries into high-value industries through the FTA and transfer low-value industries to Korea (Kim 2005c: 22).

Chapter Four

tariff barriers hardly compared to the seven percent Korean barriers and that, all other things being equal, Japan stood the most to gain (Kim 2003d).

Table 4.6: Effects to each industry by Korea–Japan FTA

| Industry | Effect |
|----------------------------|---|
| Electronic (–) | <ul style="list-style-type: none"> - Imports from Japan rapidly increase and restructuring of SMEs exacerbated if tariffs removed. - End products: disadvantages in technology and branding. - Comparative Advantages to some products such as mobile products and Thin film Transistor Liquid Crystal Display (TFT–LCD). - Absolute disadvantages to high–tech components and materials. |
| Automobile (–) | <ul style="list-style-type: none"> - Sharp increase in the importation of large and mid–sized cars expected. - Possible huge increase in importation of automobile components: restructuring of domestic component manufacturers inevitable. |
| General machinery (–) | <ul style="list-style-type: none"> - Dependency on Japan expected to grow in core component fields, greatest damage expected here. - Result of inducing Japanese industries to investment domestically; mediocre. |
| Petro–chemistry (–) | <ul style="list-style-type: none"> - Cutthroat competition expected due to excessive supply from both countries. - Advantageous in general–purpose products (PE), disadvantageous in specialty products (engineering plastics). |
| Precision machinery (0) | <ul style="list-style-type: none"> - Not much influence expected as most of the items were not domestically produced. |
| Fabrics (+) | <ul style="list-style-type: none"> - Overall improvement in the balance of trade as exports to Japan increased. - However, increase in the importation of Japanese high–quality products expected in textiles (synthetic/cotton fabrics). |
| Steel (0) | <ul style="list-style-type: none"> - Insignificant influence on the raw materials of iron and steel. - Secondary iron products (cast–iron products): competence reinforced systematically. |
| Ship building (–) | <ul style="list-style-type: none"> - General vessels: insignificant due to zero tariffs, but increased importation of special vessels (motor boats, yacht) expected. - Materials and components: increase in importations expected. |
| Semi–conductor (0) | <ul style="list-style-type: none"> - Insignificant due to zero tariffs. - Cost reduction in raw materials and equipment anticipated, but small and mid–sized equipment/material related enterprises possibly vulnerable. |

* General evaluations for the industries are given at the discretion of the writer (–: disadvantageous, 0: insignificant effect, +: advantageous). *Sources: FKI (2004c) “*Effects of Korea/Japan FTA on industry and measures*,” FKI Issue Paper.

Opposition

By December, 2003 – when official negotiations between the two countries had started – the mood had definitely changed among Korean industries. During the agenda–setting phase, many corporations and industries had begun to show a distinct lack of enthusiasm and as this early phase drew to a close and the negotiation phase

Chapter Four

began, these feelings of discontent were to manifested quite openly⁶⁰.

To many Korean industries, it became abundantly clear that they would be no match for Japan – the world's second largest economy – in a deregulated marketplace⁶¹. Their call to government for a delay with the FTA with Japan and, instead, the opening of discussions with a less developed or less powerful economy than Japan (e.g. an ASEAN member or China) was tantamount to a declaration that Korea was not economically vibrant enough to compete with Japan via an FTA⁶². Lee and Jeon (2004: 150) argued that

Based on the competence of industries in both countries and tariff rates, analysis on the trade effects of the Korea–Japan FTA has revealed that economic benefits to Korea are doubtful. Increases in exports to Japan can be expected in steel, fabric and clothing, agriculture, minerals, chemistries, and other intermediate goods industries by the Korea–Japan FTA.

The KIEP produced a report (see Table 4.7) in 2001 supporting this analysis, summarising the potential trade effects of an FTA with Japan on various parts of Korean manufacturing industries. What is immediately discernable from the table is that only the low-value industries, manufacturing industries, such as mineral fuels and clothing industries, would have enjoyed increases in trade. Other high-value industries, general machinery, precision machinery, electric products and automobiles, would have suffered from the Korea–Japan FTA as envisaged. Not only were these high-value industries of primary importance to the Korean national economy, they were also major industries with immense influence on numerous other subsidiary SMEs (Song 2004: 84–85). Secondary knock-on effects were forecast in society had these industries been abandoned or restructured from high-value to low-value industries⁶³.

⁶⁰ Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21st, 2009.

⁶¹ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates Seoul, October 19th, 2006.

⁶² Interview conducted with Choi Sung-hyun, Senior Research Fellow, International Affair Division in FKI, Seoul, October 20th, 2006.

⁶³ Interview conducted with Ryu Hyun-jin, Director of FKI Centre of Large and Small Businesses Corporations, Seoul, October 21st, 2006.

Chapter Four

Table 4.7: Trade effects in the manufacturing fields based on the analysis of elasticity
(Unit: million dollar, 2004 basis year, figures in parenthesis indicate change (percent))

| Category | | Exports to Japan Change in amount | Imports from Japan Change in amount | Trade balance with Japan Change in amount |
|------------------|-----------------------------------|--------------------------------------|--|--|
| Products | | 177.9(0.9percent) | 2,643.8(5.8percent) | -2,465.8(-9.7percent) |
| Primary items | Mineral fuel(HS27) | 50.7(1.5percent) | 82.0(11.5percent) | 31.3(1.2percent) |
| | Organic chemistry(HS29) | 9.3(1.2percent) | 54.2(2.5percent) | -44.9(-3.2percent) |
| | plastic(HS39) | 26.6(3.1percent) | 94.1(4.3percent) | -67.5(-5.2percent) |
| | Clothing and fabric (HS61) | 20.4(7.7percent) | 1.4(13.7percent) | 18.9(-7.5percent) |
| | steel(HS72) | 3.5(0.2percent) | 27.9(0.5percent) | -24.4(0.6percent) |
| | Steel products(HS73) | 1.3(0.2percent) | 22.4(4.6percent) | 21.0(-15.3percent) |
| | Machinery (HS84) | 0.0(0.0percent) | 1,067.4(12.5percent) | -1,067.4(-18.4percent) |
| | Electronic products (HS85) | 13.5(0.2percent) | 251.7(2.0percent) | -238.1(-3.8percent) |
| | Automobiles and components (HS87) | 0.2(0.1percent) | 85.4(8.4percent) | -85.2(-12.5percent) |
| | Precision machinery (HS90) | 1.2(0.2percent) | 455.4(9.5percent) | -454.2(-10.6percent) |
| | others | 51.1(1.8percent) | 501.9(6.8percent) | -450.8(-9.8percent) |

*Source: KIEP (2005) "Analysis on the economic expectations and influences of Korea-Japan FTA."

Many researchers charged that the Korea-Japan FTA would have impeded rapid industrial growth in Korea (Lee and Chun 2005; Park 2004a; Lee *et al.*, 2004; Kim 2004d). While many Japanese products had secured superiority in Korean markets, Korean products were still comparatively weak in Japanese markets. Although the tariff rates imposed by the Korean government on its prime industries were 8 percent for automobiles and electronics, 7.9 percent for machinery, 7.7 percent for petrochemicals, 7.3 percent for metals, and 7.2 percent for other manufacturing industries, the Japanese government hardly imposed any tariffs on such industries, with almost nil tariff rates for electronics, automobiles and vehicles; 0.2 percent for machinery and 3 percent for petrochemicals (Lee and Chun 2005: 250).

As a result, Korean industry structure would focus on low-value products where comparative advantage still held and may have lead to a drawback or curtailment from the then comparatively disadvantaged high-value industries. In such a case, the Korea-Japan FTA would have been responsible for causing a retrogression of industrial development (Kim 2005c: 19-20).

As well as Lee and Chun (2004), Nam (2007: 107) stated that the Korea-Japan FTA, due to an expanding Chinese economy, would encourage major domestic companies to transfer their plant bases abroad, accelerating the de-industrialisation of SMEs and subcontracted companies, with decreases in sales and bankruptcies of SMEs as a result. Lee Sang-yong, president of Asan Electronics and Asan Travel, emphatically supported Kim's view. He went on to claim:

Local SMEs are 100 percent against the Korea-Japan FTA. While the industrial structures of the two countries are similar, the quality of Japanese products is overwhelmingly superior to ours, with the exception of semi-conductors. Moreover, their price competence is strong: most of their plants have

Chapter Four

transferred to China, Vietnam, and other Southeast Asian countries and only 30 percent of their production is domestic. The Korea Information Institution does not seem to realise these aspects⁶⁴.

In the context of plant transfer to China and other Southeast Asian Countries, the choice of a further (or possible replacement) FTA partner country became an important issue, as concern over the Korea–Japan FTA grew (Nam 2007: 110). The FKI led coalition emphasised that any FTA with China or ASEAN countries must be made concurrently with the Korea–Japan FTA, if not in precedence, in order to attain the rapid development of industry (2004b: 12).

According to a survey, conducted by FKI in September 2000 among its members, 94.3 percent of the respondents agreed with the idea of signing FTAs. As for the ideal FTA partner, China was the highest with 42.8 percent, followed by the US with 36.5 percent, and Japan with 7.9 percent (Choi & Lee 2005: 10).

Additionally, another report⁶⁵ published by business associations, dynamic international restructuring would enable Korean industries to specialise in more technologically intensive industries only alongside an FTA with other ASEAN countries and/or China, where Korean industries still held comparative advantage in manufacturing. Only then would the Korea–Japan FTA be able to contribute to the specialisation of Korean high-value industries in the longer term. Otherwise, Korean companies would suffer from the loss of comparative advantage if the Korea–Japan FTA were to be ratified before other FTAs (Cho and Kim 2002: 136–140).

While the Korea–Japan FTA attracted its own share of supporters and detractors, it is vitally important to understand that the transmogrification that the FKI led coalition went through, from supporter to opponent, left the FTA with only East Asianists and key government ministries as supporters. This left the trade agreement, in essence, without any major non-governmental supporter. Therefore, regardless of external or international pressures, the FTA was always going to have a difficult, if not impossible, journey from negotiation to ratification. The following section will examine this journey from agenda-setting to negotiation.

⁶⁴ On the other hand, he appreciates the FTA with US. According to him, primary industries of the two countries do not overlap. While US is competent in the munitions industry, high-tech Information Technology (IT), medicine, intellectual property, and the agriculture industry, Korea is competent in steel, semi-conductor, ship-building, automobile, and fabric industry.

⁶⁵ FKI (2004a).

Setting the stage for a discussion of the channels of influence

For the sake of analysis, this chapter will divide the agenda-setting phase into two parts. The early agenda-setting phase, which was marked by large corporations' support for the Korea-Japan FTA and the later agenda-setting phase, marked by a shift from overall support to conditional support.

Agenda-Setting

As discussed in the previous chapter (see Chapter Three), the agenda-setting phase in an FTA has a strong tendency to be dominated by certain actors (most notably MOFAT, key politicians (e.g. the President) and policy makers). This is also true in the Korea-Japan case. However, to elucidate two key points; in comparison to the Korea-Chile FTA where both FKI and government worked in tandem to introduce and support the FTA from its inception, the Korea-Japan FTA was primarily a government led policy initiative⁶⁶. Secondly, while the Korea-Chile FTA reached almost fevered proportions in public interest and involvement, the Korea-Japan FTA was a much less public affair. Despite the public information campaigns on both sides, the level of public involvement and public reaction was considerably muted in comparison with the earlier FTA. Although labour unions did grasp the issues at stake, their public protests were confined to the period after the agenda setting phase⁶⁷. Therefore, our analysis of the agenda-setting phase shall focus on supporters.

Due to the nature of the stakeholders present during the agenda-setting phase (i.e. access to formal channels as primary – or more specifically, the power to influence political institutions – was a matter of course and definition for the president, MOFAT and formal business associations), the medium of expressing preferences and agendas were formal channels of influence.

⁶⁶

Interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005.

⁶⁷

Interview conducted with Baek Hyun-gi, executive director of FKTU, Seoul, October 22th, 2005.

Early Agenda–Setting phase

During the early agenda–setting phase, the FKI was co–opted into discussions regarding a potential FTA with Japan by President Kim Dae-jung and the MOFAT. In 1998, President Kim initiated the concept of a Joint Study Group to analyse the benefits of a potential Korea–Japan FTA. In effect, MOFAT took the baton from the president and laid the groundwork by establishing many of the early studies that, in turn, were offered to the FKI as a supporting conceptual framework for an FTA with Japan. The role played by the president and the MOFAT in establishing the agenda–setting phase and inviting Korean industrial associations made the use of informal channels(i.e. PPPM) by supporters obsolete⁶⁸.

Later Agenda–Setting phase

Business Associations

Similar to the early agenda–setting phase, this later phase was marked by the use of formal channels at the expense of informal and for the very same reasons. Before proceeding, there are a couple of key points that need elaboration; how were the underlying reasons for conditionality expressed using formal channels of influence? And, more specifically, how did the FKI deliver their concerns about NTBs to MOFAT?

As has been previously discussed, the FKI began to display concern regarding an FTA with Japan prior to the negotiation phase. Ostensibly, the FKI were supportive of the FTA and their stated desires chimed with those of government, hence utilising a channel of influence was a redundancy⁶⁹. However, as this support began to wane, the FKI established a GBA–JSG in March 2002 whose aim was an exchange of ideas with the government concerning the FTA in light of data culled from the KIEP and IDE ‘Joint Study’ report and the Korea–Japan Business Forum’s ‘Joint Declaration (January 2001).’ The information contained in these reports was not as positive as previous

⁶⁸ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 19th, 2006.

⁶⁹ Interview conducted with Choi Sung-hyun, Senior Research Fellow, International Affair Division in FKI, Seoul, October 20th, 2006.

reports and started to ring warning bells in the business community.

Power to Influence Political Institutions

Korean large business associations did not feel it was necessary, at any stage, to utilise public influence, or informal channels, as their access to government policy makers was virtually unfettered; e.g. access to such important institutions such as MOFAT and, via the GBA–JSG, to politicians was a given during the agenda–setting phase⁷⁰. Hence a constant exchange of views regarding the FTA was in place. However, once these same business associations began to arrive at new conclusions (e.g. SME’s lack of competitiveness), they were able to translate this new–found hesitancy into concrete proposals for re–evaluating specific content (e.g. NTBs) despite the fact that their doubt concerned the entire edifice of the Korea–Japan FTA (Sohn 2001b: 3).

For example, the Chairman of the FSMB, Kim Gi-moon raised official concerns about Korea’s SMEs’ competitiveness compared to their Japanese counterparts, saying that “even some FKI individually doubted their competitiveness; SMEs could be in a much more difficult position[]... Furthermore, if removal of tariffs in the Korean market takes place, this could force a lot of SMEs out of business due to the technological gap between the countries⁷¹.” He delivered the FSMB’s concerns to the GBA–JSG in July 2002. Although the FSMB did not directly oppose the FTA, they asked MOFAT to take into consideration the seriousness of the situation that SMEs would face under the then current FTA policies and pressed for alterations that would favour its members. The KIET (2002)⁷² also raised concerns. Particularly, Korea’s mechanical engineering industries’ technological level was 60 percent that of Japanese. Lee and Chun studies (2005) also provided similar outcomes. The KIET cooperated with the FKI in delivering their concerns to the GBA–JSG in July 2002 while the KITA (after the Japan FTA Joint Study Group on April 11th, 2003) expressed similar concerns to the MOFAT⁷³.

The FKI led coalition held regular meetings with the MOFAT and other

⁷⁰ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 19th, 2006.

⁷¹ Korean SMEs Newspaper (13/03/2003).

⁷² KIET (2002) ‘Study on Korea’s engineering industries competitiveness,’ discussion paper, June, 1-35.

⁷³ JoongAng Daily Newspaper (13/04/2003).

Chapter Four

government ministries during which they expressed their dismay with the trade agreement due to the fact that NTBs were not on the table for discussion. This again indicates their preference to utilise formal channels such as IPI. These meetings, held under the auspices of the GBA–JSG, took place eight times and eventually bore fruit. The FKI's success is best illustrated by the fact that NTBs were eventually included at the suggestion of the GBA–JSG in March, 2002.

MOFAT

The MOFAT was not averse to paying attention to what Korea's large business associations had to say. Indeed, it could be well argued that the MOFAT recognised that the Korea–Japan FTA's survival depended on the support of these associations⁷⁴. During the early stage of the agenda-setting phase there was little that the FKI and MOFAT disagreed upon, creating a frictionless surface upon which the FTA moved. Later, as the FKI became more reluctant, the MOFAT continued to try to keep the FKI mollified by adopting the FKI's concerns as their own⁷⁵. MOFAT's support for the agreement was based on two things; the long term view that it would eventually benefit the Korean economy and to impress upon the agricultural sector that not all FTA's were of detrimental value to their interests⁷⁶.

Negotiation phase

By the time the negotiation phase had begun, the FKI had come around to opposing the FTA with Japan unequivocally. Labour had also engaged itself as a key actor opposing the agreement at this point. The FKI maintained its use of formal channels (i.e. IPI) while labour focused on informal channels (i.e. PI as primary). What is surprising here is the lack of support between these two key actors, neither side attempted to – nor seemed willing – to forge an alliance with the other⁷⁷. Or possibly not surprising, given the natural tendency (or at least an historical tendency) for capital

⁷⁴ Interview conducted with Ahn Ho-young, Deputy Minister of Trade, MOFAT, Seoul, October 10th, 2005.

⁷⁵ JoongAng Daily Newspaper (11/02/2001).

⁷⁶ KIEP (2001) 'Toward a Korea-Japan FTA: Assessment and Prospects,' 79-81, Seoul, May; Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

⁷⁷ Interview conducted with Baek Hyun-gi, executive director of FKIU, Seoul, October 22th, 2005.

and labour to oppose each other.

Labour Unions

Although labour did not enter into an alliance with any business association, they did find grounds for uniting on both a tactical and strategic level with anti-globalists and civic groups. As previously elaborated, the motive for support amongst labour, anti-globalists and civic groups was compelling⁷⁸. Furthermore, their access to informal channels of influence (i.e. PI) and the relative paucity of formal channels also helped to usher them towards a state of interdependence and support⁷⁹.

As soon as the first negotiations began in December of 2003, labour unions (the KCTU and the FKTU) immediately launched a warning shot across the bow of the Korean government by way of a comprehensive nation-wide strike⁸⁰. The government obviously chose to ignore this warning and negotiations continued in Japan. With the support of labour unions, ninety civic groups held a press conference condemning the Korea-Japan FTA and the WTO and protested outside the offices of the MOFAT on February 23rd, 2004 while the second round of negotiations were held in Seoul⁸¹. While the third round of negotiations were in progress (April 26th, 2004), many civic groups' organisations, including the National Confederation of People (NCP), the AWNM and the KCTU, protested in support of suspension of the Korea-Japan FTA negotiations outside where the conference was held. However, the impact these demonstrations had on both politicians and the public was limited due to a couple of converging factors (i.e. Korea-Chile FTA ratification phase and the impeachment of the President) and shall be analysed in greater detail below.

A massive demonstration of more than 10,000 people held in Kyungju was sponsored by the KCTU in protest at the fifth negotiations on August 23rd, 2004. Four major labour unions from automobile companies (Hyundai, Kia, Daewoo, and Ssangyong) collaborated – along with second and third tier company representatives – in protesting against the Korea-Japan FTA. The economic circumstances that forced

⁷⁸ Interviews with Kim Sung-jong and Park Sung-jik, one of co-leaders of NCP and AWNM respectively, in Seoul, October 12th, 2005; Interviews with Seo Ju-won, secretary of the KPAFW, Seoul, October 6th, 2006.

⁷⁹ Pressian Daily Newspaper (02/12/2003).

⁸⁰ Labour Daily Newspaper (10/12/2003).

⁸¹ Voice of People Newspaper (23/03/2004).

Chapter Four

these automobile labour unions to oppose the FTA were well supported by some analysts (Lee and Chun 2005: 255; Park 2004a: 360–361). Kim's estimation was that Japan's share of the domestic mid-large automobiles market would increase to 4.1 percent by the end of 2003 with a further increase to 15.6 percent by 2015 if the Korea–Japan FTA were to be concluded. Matters were not much better in the case of intermediate components markets. 'The People's Struggle Group Korea (PSGK)' was formed in 2000 as an alliance of labour unions, anti-globalists and civic groups and went to Tokyo to protest against the FTA during the sixth round of negotiations. Although the group only consisted of about a hundred people, this display of organisational power was an important symbol and represented much more than the sum of its parts. This symbology was explained by The People's Solidarity for Future Environment (PSFE) thusly, "The choice between becoming a slave to capital and pursuing the independence of labour"⁸².

Reasons for the relative weakness of labour unions' channels of influence

Overall, labour and civic group's activities were well organised and executed flawlessly and their alliance was mutually reinforcing. However, the impact they had was, in comparison to the FKI led coalition of business groups' representatives, of little consequence. There are two important reasons why this was so⁸³. Firstly, their demonstrations were overshadowed during the first three rounds of negotiations by the Korea–Chile FTA. Secondly, during rounds four and five the clamour for presidential impeachment⁸⁴ drew attention away from labour unions' demonstrations and protests

⁸² PSFE, <http://struggle.jinbo.net/bbs/zboard.php?id=main&no=91>. On the contrary, the protests by the anti-globalisation groups focused on the opening of the market itself - taming the labours markets, and aggravation of working conditions. Roh (2004), 'Instead of resist the Korea-Japan FTA and Protect Korean industries, let us assemble to the front line of crush the tamers of labour markets and 'resisting the detrimental revision of the labour law,' (on November 16th), <http://go.jinbo.net/commune/view.php?board=cool&id=20262>.

⁸³ Interview conducted with Chung Byung-duk, vice-manger of KCTU, Seoul, October 9th, 2006. He acknowledged their weak influence at that time. His viewed was also shared by Kim Dong-sung, one of co-leaders of PSGK, interview, Seoul, October 11th, 2006.

⁸⁴ On March 12th, 2004, the NA voted to impeach President Roh Moo-hyun on illegal electioneering and incompetence charges. The impeachment motion, the first ever filed against an incumbent president in Korea, came after the National Election Commission ruled that Roh had violated the Election Law during a television debate by urging voters to support candidates of his Uri Party. Roh refused to accept the demands by the GNP and the Millennium Democratic Party (MDP) that Roh apologise for his remarks. The vote was 193-2, with Roh's supporters abstaining from the vote. Roh's executive power was suspended until the final decision was made by the Constitutional Court. The impeachment bid met with strong opposition from the public. On May 14th, 2004, the

Chapter Four

against the Korea–Japan FTA. To paraphrase, their organisational power failed to attract PI due to other factors. Regarding political capital, the agricultural sector had the ability to apply pressure in the NA due to rural communities and the layout of political constituencies. Labour unions, on the other hand, did not have such PPPM as Helgesen (1998) and Cotton (1989) argued in Chapter 2. Although based mainly in cities, their access to politicians via their constituencies was quite limited due to the political demographics of large urban settings. Finally, the relevant cultural importance of opening the agricultural sector to international competition via FTAs dwarfed that of opening Korean industries to similar competition.

Business associations (FKI, etc)

The FKI led coalition, however, did not have to see their channels of influence endure such a loss in potency. During the negotiation phase, the FKI and its sister associations adapted both formal and informal channels of influence to their cause but again they relied predominantly on formal channels. The FKI led coalition was well aware that the MOFAT supported the FTA with Japan. This awareness enabled the FKI to adopt a nuanced approach to dealing with government ministries through the use of IPI. Instead of expressing their reservations directly to MOFAT during the negotiation phase, the FKI went to MOFE and MOCIE⁸⁵ with the aim of persuading them of the veracity of their doubts and to coordinate their relationship with MOFAT vis-à-vis their stance on the FTA (though still within the confines of formal channels)⁸⁶.

The FKI led coalition of business associations was keen on adopting the most efficient channels of influence that were available. Their main channels of influence

Constitutional Court overturned the impeachment motion, restoring Roh as the head of state. Opposition parties (GNP) faced a backlash in the NA elections. In the 17th general election on April 15th, 2004, Uri Party won 152 seats, while the GNP and MDP, 121 and 9 respectively.

⁸⁵ Interview conducted with Kim Sun-min, a member of FTA Promotion & Policy adjustment Authority division, in MOFE (currently MOSF), Seoul, October 2nd, 2009; Interview conducted with Park Jeong-seong, Leader of FTA Team, in MOCIE (currently MKE), Seoul, October 3rd, 2009. While the interviewees were not high ranking officials within either ministry, they did confirm that the FKI worked with MOFE and MOCIE during this time period. Requests for interviews by the author with high ranking officials have been submitted on several occasions but at time of writing, no interviews with any high ranking officials have been given.

⁸⁶ Interview conducted with Lee Doo-chul, President, Ulsan Chamber of Commerce and Industry, Seoul, October 14th, 2005; Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009. He did not directly mention that MOFE and MOCIE were persuaded by FKI led coalition. However, he made clear that he was well aware that the FKI had a good relationship with both MOFE and MOCIE and, furthermore, that they shared a common goal in halting the Korea-Japan FTA negotiations.

Chapter Four

during this phase were formal channels; petition, publications, meeting key decision-makers which Berry (1997) and Victor (2007) categorised as insider lobbying. They did, however, also utilise informal channels; i.e. media access, mainly conservative newspapers⁸⁷. There are several interweaving factors that help explain the position the FKI took on adopting certain channels and ignoring others. When a political situation changes quickly, a political scenario may demand a particular lobbying tactic (Victor 2007: 829). Groups much prefer direct lobbying over indirect lobbying (Hojnacki & Kimball 1999; Gais & Walker 1991).

Firstly, their earlier position and their proximity to government ministries and important politicians placed these formal channels (i.e. direct access to the negotiators and influential policy makers) directly in their crosshairs⁸⁸. Secondly, their use of publications to disseminate their views via GBA-JSGs, etc. in a very academic, objective fashion appealed directly to these same ministers and bureaucrats⁸⁹. Thirdly, the domestic situation regarding Korea-Chile ratification and the presidential impeachment meant that the FKI was careful not to rely on informal channels due to the media frenzy surrounding these issues⁹⁰.

In contrast, labour unions relied on informal channels to persuade the public of their claims. Fourthly, as indicated above, the FKI had ostensibly supported the FTA with Japan during the early stages of the agenda-setting phase and gradually adopted an opposing position. During the FKI's earlier manifestation as supporters, they dealt directly with and through the MOFAT⁹¹. As their position changed, so did their relationship with MOFAT. Although the FKI led coalition had worked hand in glove with MOFAT during the Korea-Chile FTA and the Korea-US FTA, during the negotiation phase of the Korea-Japan FTA the MOFAT was viewed as not as conducive. Given the fact that Korean business associations were inevitably going to have to work intimately with the MOFAT again in the future, the FKI decided to direct its energies towards the MOFE and the MOCIE, thus avoiding an open confrontation with MOFAT

⁸⁷ They are Chosun Daily Newspaper, Dong-A Daily Newspaper and JoongAng Daily Newspaper.

⁸⁸ Interview conducted with Chan-Guk Huh, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 19th, 2006.

⁸⁹ Korea Herald (19/02/2004).

⁹⁰ Interview conducted with Seo Ju-won, secretary of The KPAFW, Seoul, October 6th, 2006.

⁹¹ Interviews conducted with Lee Mi-hyun, the head of multilateral trade cooperation division in MOFAT, Seoul, August 14th, 2009.

Chapter Four

while simultaneously retaining the use of powerful formal channels⁹².

Groups representing major companies began to express their opposition as negotiations between the two governments commenced in October 2003, which progressed rapidly to the 3rd round of negotiations in April 2004. The FKI led coalition opposed the FTA in earnest during the second conference of the “*FTA Civilian Consultation*” held in May 2004⁹³. The FKI invited the leading government authorities and representatives from every industrial field to this conference. The views expressed (by electronics, automobiles, petro–chemistry industries and SMEs) were that of worry and anxiety regarding not just the contents of the Korea–Japan FTA but also the *speed* of negotiations⁹⁴. The government authorities (i.e. MOFAT) were lukewarm⁹⁵ in their reception of these ideas, explaining that “the Korea–Japan FTA is a diplomatic agreement due at the end of next year and the Korea–Japan FTA must be considered from a comprehensive view, including the heightening of national competence through regional cooperation among Korea, Japan, and China, as well as the restructuring and trading aspects⁹⁶.”

Subsequently, a document was published by the FKI in October 2004 (see Table 4.8), just after the 5th round of negotiations had finished –August 2004, urging a more thorough examination of the Korea–Japan FTA⁹⁷.

Table 4.8: Impact of Possible FTA on Bilateral Trade Balances
(Unit 10 million dollars)

| Countries | Before FTA (2003) | | | After FTA | | |
|-----------|-------------------|--------|---------------|---------------|---------------|----------------|
| | export | import | Trade balance | Export | import | Trade balance |
| Japan | 172.7 | 363.1 | –190.4 | 212.9(+40.2) | 464.2(+101.1) | –251.39(–60.9) |
| Singapore | 46.4 | 40.9 | 5.5 | 47.0(+0.6) | 53.2(+12.3) | 6.2(–6.2) |
| Mexico | 24.5 | 3.3 | 21.2 | 31.3(+6.8) | 5.1(+1.8) | 26.2(5.0) |
| Canada | 26.8 | 18.9 | 7.9 | 35.6(+8.8) | 28.4(+9.5) | 7.2(–0.7) |
| India | 28.5 | 12.3 | 16.2 | 56.9(+28.4) | 17.7(+5.4) | 39.2(23.0) |
| USA | 342.2 | 248.1 | 94.1 | 422.2(+82) | 413.1(+165) | 9.1(–83) |
| ASEAN | 202.6 | 184.6 | 18.0 | 308.4(+105.8) | 229.8(+45.2) | 78.6(60.6) |
| EFTA | 12.0 | 20.1 | –8.1 | 18.6(+6.6) | 27.5(+7.4) | –8.9(–0.8) |

* Source: FKI (2004a) “Recent trends in FTA promotion and complementary tasks for FTA Roadmap.”

⁹² Interview conducted with Choi Sung-hyun, Senior Research Fellow, International Affair Division in FKI, Seoul, October 20th, 2006; Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 19th, 2006. While mention of MOCIE and MOFE was not explicit, there were many references to ‘key governmental ministries’ and, at this point of the process, the only other ‘key governmental ministries’ besides MOFAT were MOCIE and MOFE.

⁹³ FTA Civilian Consultation Committee (28/04/2004).

⁹⁴ Korea Herald (19/02/2004).

⁹⁵ Interviews conducted with Lee Mi-hyun, the head of multilateral trade cooperation decision in MOFAT, Seoul, August 14th, 2009.

⁹⁶ ‘Debates on the rapidity of Korea-Japan FTA,’ (Seoul Economy Newspaper 05/05/2004); ‘Manufacturers oppose Korea/Japan FTA,’ (Maeil Economy Daily Newspaper 04/05/2004).

⁹⁷ Money Today Daily Newspaper (30/09/2003); Seoul Economy Daily Newspaper (21/10/2003).

Chapter Four

Even within certain ministries, there was agreement with the view of the FKI. The MOFE insisted that it agreed with the MOFAT in principle regarding the FTA, but criticised the MOFAT in that it focused on long term benefit at the expense of short term, while the MOCIE was also critical of the MOFAT, finding the neglect of domestic industries worrisome⁹⁸. This multi-faceted perspective tends to reflect the fact that individual ministries' interests seem less to echo that of 'national interest' rather than that of sectoral interests (i.e. FKI).

To summarise, the FKI coalition became something of a bane to the Korea–Japan FTA through judicious use of available channels of public influence. FKI's dominant channel of influence during the negotiation phase was IPI, i.e. through other ministries (MOFE and MOCIE) due to not directly confronting MOFAT, while labour unions' primary channel was PI which did not efficiently work due to the domestic political situation.

The FKI eclipsed the labour unions in efficiency of opposition and yet did so without alienating their erstwhile government partners, whom they effectively turned coat on midway through the FTA process. And they did so effectively, so much so that the Korea–Japan FTA is effectively deadlocked.

⁹⁸

Chosun Daily Newspaper (02/10/2004).

An evaluation of the impact the domestic stakeholder's channels of influence had on the FTA

A critical look will now be taken at how the respective parties impacted the Korea–Japan FTA. To put it bluntly, there is no denying that domestic stakeholders had a telling impact on the direction the Korea–Japan negotiations took, although some certainly had more impact than others. Firstly, this thesis will examine the influence that supporters had over the direction the FTA negotiations took; supporters initially had dominance due to factors previously outlined but this dominance waned as circumstances changed and certain supporters became opponents. This will be followed by a look at how opponents managed to influence the final outcome of the agreement; opponents eventually gathered enough critical mass to halt the project before it had passed the negotiation phase.

Agenda-setting phase – *Supporters; from positivity to doubt*

The early stage of the agenda-setting phase was – as in other negotiations – dominated by supporters of the Korea–Japan FTA. The MOFAT, who dominated proceedings, was aided by compliant and supportive corporations. The need to evaluate any influence at this point is redundant given the inclinations of those who were involved at this early stage. Suffice to say that each backed the other regarding the possibility of an FTA with Japan. With support from both MOFAT and the president, there was little need for the FKI to seek any channels other than IPI. Strong OP or not, its influence on persuading the government to carry forward with an FTA with Japan was not needed.

The later stage of the agenda-setting phase, however, was not so cut and dried. Business associations were taking a new slant on the FTA and their attitude to it was reflected in how they applied their channels of influence. Following on from the government funded bodies' (the KIEP & the IDE) publication of the 'Joint Study on a potential Korea–Japan FTA (see Table 5-4)' in mid-2002 and the data provided within, several business associations began to raise concerns about specific points related to the

Chapter Four

FTA with Japan⁹⁹. On June 27th, 2002, Korean–Japan FTA seminar took place in Seoul. Before the seminar, the leaders of some major Korean industrial sectors officially met with key governmental policy makers to express their growing concerns about the short-term impact the FTA would have on their industries. The GSB–JSG¹⁰⁰ held a seminar on December 4th, 2002 in Busan attended by major figures from the Korean car industry who raised their concerns about the competitiveness of their Japanese competitors and the result an FTA would have on their industry.

The MOFAT, which had been quite confident regarding further support from the FKI led coalition, were left with no option but to include their concerns due to the fact that the MOFAT relied on the FKI coalition to maintain forward momentum. The MOFAT were beginning to wake up to the fact that they were not going to be able rely on the FKI's unwavering support, in other words, their organisational power, although as single units remained strong, taken together suffered greatly. Although the FKI began displaying concern regarding the hasty progress (at least as they saw it) of the FTA, they maintained access to IPI as their primary channel, expressing concern directly to MOFAT. Given the FKI's strong OP, they had effective access to IPI through MOFAT.

In summary, during the agenda-setting phase, MOFAT was supported by President Kim Dae-jung and FKI as key actors. Also, the FKI used IPI as primary channel.

Negotiation phase – *The FKI and the storm before the lull*

The negotiation phase, from beginning to deadlock, was less than one year, considerably shorter than the agenda-setting phase, which lasted almost five years. The first arrow in the heart of the Korea–Japan FTA, the issue of NTBs, originated during the agenda-setting phase and eventually poisoned the negotiation process. The Japanese government would not acquiesce to the demand that NTBs be put on the table and this issue was to plague the negotiations until deadlock was reached. The next eleven months of the negotiation phase saw the FTA take considerably more arrows. Although labour unions combined with vigorous anti-globalist/civic groups, their impact on the

⁹⁹

JoongAng Daily Newspaper (14/03/2004).

¹⁰⁰

The GSB-JSG met eight times from August 9th, 2002 to October 2nd 2003.

Chapter Four

FTA was quite limited. The fact that they did not ally with the FKI led coalition is hardly surprising but this also helped to limit their impact. The FKI led coalition itself was another matter, their fingerprints are to be found all over the body of the FTA. The MOFAT stood virtually alone, support from the East-Asianists was hardly a pillar to rest national economic policy on.

Informal channels (PI) were the mainstay of labour unions and anti-globalists and although civic-groups had access to formal channels in the past, their access to these channels during the Korea-Japan FTA was limited due to the dominance that the FKI led coalition had of these same channels. Furthermore, the actual influence that informal channels had during the period was severely curtailed due to the Korea-Chile FTA ratification process and the major issue of the day, presidential impeachment. At most, labour-unions and the anti-globalist/civic group alliance acted as tertiary support to the formal channels that the FKI led coalition brought to bear on the government. The FKI coalition was wise enough to redirect its efforts to the MOFE and the MOCIE when it decided to oppose the FTA. Before the fourth round of negotiations were held in Tokyo, on 23rd June, 2004, the leaders of the FKI led coalition met key policy makers from the MOFE and the MOCIE and impressed upon them their antipathy towards and FTA with Japan¹⁰¹. Both the MOFE and the MOCIE delivered these concerns directly to MOFAT (Sohn 2002: 15-16)¹⁰². Also, "Recent trends in FTA promotion and complementary tasks for an FTA Roadmap" was published in October 2004 by the FKI led coalition that was highly critical of the MOFAT's plans for an FTA with Japan. Both the MOCIE and the MOFE were supportive of the papers findings¹⁰³. The efficacy of this paper – and the FKI led coalition's opposition to the FTA – is illuminated by the events of the following month. On November 3rd, 2004 the negotiations over the FTA came to a halt.

Prior to this publication, the MOFAT was reasonably confident of eventually persuading key industries to support the Korea-Japan FTA¹⁰⁴. This hubris dissipated with the publication of 'Recent Trends'. The MOFAT, importantly, also lacked the public support of the president, as he stood facing possible impeachment proceedings.

¹⁰¹ Hankyung Economic Daily Newspaper (25/10/2005); Chosun Daily Newspaper (24/10/2005).

¹⁰² Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

¹⁰³ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, on October 19th, 2006.

¹⁰⁴ Interview conducted with Park Myung-Jae, Minister of MOPAS, Seoul, March 3rd, 2007.

Chapter Four

This left the MOFAT alone to face both the FKI led coalition and the honest, though rather ineffectual, labour union and civic groups' coalition¹⁰⁵.

The fact is while labour formed a loose coalition with certain civic groups, they were (and continue to be) at a political disadvantage compared to their rural cousins. This disadvantage is defined by how the voting districts of Korea are divided, with an over-representation of rural voters in the NA. Second, although labour's OP may be ostensibly on a par with that of agriculture, the reality is that labour issues are neither as tendentious nor as publicly inflammatory as agricultural issues are. These facts were compounded by the political realities of the day, notably the dominance of the Korea-Chile FTA in the media and the upcoming impeachment of the President which conspired to leave the labour movement with little effectual access to PI. Furthermore, again given the contemporary realities, their access to IPI and PPPM were virtually non-existent. This is also reflected in their levels of OP. The labour movement had weaker OP than agriculture in part due to the emotiveness of the issues involved and only had the potential to access PI (public demonstrations). The reality was, though, that the dominance of the Korea-Chile FTA and potential presidential impeachment had sucked all of the political oxygen out of the arena and left little for the labour movement to latch on to. The FKI were also affected, in that their access to PI was reduced. However, given their strong OP, their access to IPI and PPPM (key policy makers) did not suffer as the labour movement had.

In summary, during the negotiation phase, while opponents' effective use of primary channel, PI, was reduced due to the domestic political situation, FKI's primary channel of influence was IPI (supporting MOFE and MOCIE). Their secondary channel was PI (access to conservative newspapers).

Conclusion

The purpose of this chapter was twofold; firstly, to examine the Korea-Japan FTA in order to answer the question whether domestic stakeholders' use of channels of influence played a part in dictating the outcome of the FTA process and secondly, in

¹⁰⁵

Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

Chapter Four

conjunction with the other two empirical chapters, to look at whether the FTA process is, in general, inclined to respond to domestic pressures. Although international factors (the popularity of FTAs combined with the financial crisis of '97) helped to create conditions conducive to adopting FTA policy and the statist approach may help to explain why Korea chose to negotiate an FTA with Japan – although this ignores the role the FKI had in lobbying the government – these approaches do not help to explain the variance that occurs in some Korean FTAs. A look at what happened domestically offers great insights into the Korea–Japan FTA stalemate. We shall begin by looking at who the domestic stakeholders were.

The list of domestic stakeholders consists of two strains, supporters and opponents. Supporters; MOFAT, East Asianists and business associations (FKI, etc) (agenda–setting phase). Opponents; Labour unions, farmers' associations, anti–globalisationists and civic groups and business associations (negotiation phase). The broad strokes of the supporting rationale were that an FTA (any FTA) was a good thing, regional integration was a positive and the increase in industrial activity that would result from the FTA was desirable. Those who opposed the FTA did so because they viewed it as detrimental to their interests (even if their interests were not one and the same). The fact that business associations changed their position regarding the FTA is critical in understanding what eventually resulted.

During the early agenda–setting phase there was no opposition to the main thrust of the FTA. The MOFAT and business associations were united in pushing it forward. As the process entered the later agenda–setting phase and the worst of the fallout from the '97 financial crisis had passed, business associations began to take a more measured approach, raising points of contention where there had been none before.

Supporters' primary channel of influence was IPI and was assisted by one key veto player, President Kim Dae-jung (although he was not actively supporting during the negotiation phase).

By the time the negotiation phase had begun, the business associations had adopted a similar attitude to labour unions, anti–globalisationists and civic groups, who had allied together. The differences between these groups were that the business associations did not ally with other groups and, most importantly, they had access to powerful formal channels (IPIs as primary) and PI as secondary, whereas the other

Chapter Four

groups had to rely on informal channels (PI). It was this difference that was to eventually condemn the Korea–Japan FTA to limbo.

The opposition supplied by labour unions, anti-globalists and civic groups was, at most, a thorn in the side for the government. Due to the threat of presidential impeachment and the predominance of the Korea–Chile FTA in the media, their use of informal channels was ineffectual. Also, their access to formal channels was quite limited in comparison to business associations' channels. The formal channels utilised by the FKI led coalition were not so ineffectual. Their access to MOFE and MOCIE was an inspired move as it allowed them to keep their relationship with MOFAT intact while simultaneously injecting their concerns and doubts about the FTA to MOFAT and the negotiators. MOFAT¹⁰⁶ realised that it stood alone in favour of the Korea–Japan FTA, support from the East Asianists notwithstanding, and were unwilling to push too hard on that basis. This effectively deprived the FTA of the political oxygen it needed to survive in a hostile environment.

The key point here in relation to the overall thrust of this thesis is that it was the FKI's opposition to the Korea-Japan FTA that led to the breakdown. And it is precisely this outcome that the societal approach is equipped to deal with and analyse successfully, whereas an analysis using a combination of statist and/or systemic approaches would not produce such insight due to their inability to decipher the role played by domestic actors.

¹⁰⁶

Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

Chapter Five: Korea–US Free Trade Agreement

Introduction

Our final empirical chapter examines probably the most controversial of all FTAs that Korea has signed or engaged in thus far. Not only were the Korea–US FTA negotiations controversial but the Korea–US FTA is, without doubt, the most wide ranging of all FTAs that Korea has engaged with to date (Lim 2006b: 2; Jackson 2006: 2). A natural corollary to this, considering the scope of the previous two chapters, is that the involvement of domestic stakeholders would be equally broad. Given the comprehensiveness of this agreement, the level of engagement by this broad collection of stakeholders was equally intense. The variance here – an analysis of which would also help in comprehending the influence of domestic influence – is; why was the US chosen as an FTA partner when government studies placed the importance of signing such an agreement as a medium to long term goal; and the suddenness of the decision to sign an FTA with the US.

- i. Identification of the main domestic stakeholders, both pro– and anti–FTA.
- ii. A look at their respective rationales.
- iii. The use of channels of influence.
- iv. An evaluation of the impact that channels of influence had.

Concluding remarks will follow this examination.

Background and chronology

The official launch of negotiations for the Korea–US FTA was held in early in February 2006. However, the idea of a Korean–US FTA had been around since the late 1980s (Cheong 2004a: 13). Discussions concerning a possible Korea–US FTA are to be found in a report by the US International Trade Commission (USITC), which examined Asian Pacific FTAs in 1989, suggesting that Korea would be a suitable FTA

Chapter Five

partner for the US (Cheong 2004a: 11). Despite this there were several reasons¹ that prevented this idea from materialising at that time.

After the 1997 Asian crisis, the Korean government suggested formulating a BIT with the US (Winder 2006: 3; Kim 1998: 96). The Korean government believed that such trade policies would supply the economic momentum necessary for recovery from the Asian currency crisis, and that increased trade could be achieved through a Korean-US FTA (Kim 2004c: 97-98). However, talks were suspended in 1999 due to Korea's screen quota system². The US did not display much enthusiasm for proceeding with an FTA with Korea, concluding that such negotiations were meaningless without a BIT. The Korean government displayed a similar lack of enthusiasm due to US pressure regarding the opening of the Korean agricultural market. The idea of a Korea-US FTA stalled and was not reconsidered again until five years later. In 2004, the issue of an FTA between the two countries was quietly resuscitated. US government officials began making positive noises concerning a possible Korea-US FTA while simultaneously placing conditions for such an FTA on four major issues: beef, screen quotas, automobiles and pharmaceuticals (Manyin 2006: 25).

President Roh Moo-hyun made steps to reopen the debate by suggesting an FTA between the two countries to President Bush at the APEC summit meeting in Pusan in November 2005. This was followed by an official announcement of the development of a Korea-US FTA in President Roh's New Year speech of January 18th, 2006. Then, much to everyone's surprise (Lim 2006a: 1; Jackson 2006: 2), on February 4th, 2006, Kim Hyun-chong, the Korean Minister for Trade, and Rob Portman, the US Trade Representative announced that both countries would start official negotiations for an FTA. The governments of both countries, involved in a major trade partnership as well as a military alliance, foresaw that an FTA between the two countries would be a

¹ The anti-American movement and disputes over tariff concessions in the agricultural sector under the UR (Kim 2003c: 240).

² Negotiation on Korea-US BIT began in 1998, when President Kim Dae-jung proposed the idea of Korea-US BIT out of a conviction that attracting as much as foreign investment as possible from the US - as well as other industrialised countries - was a way for Korea to recover from the Asian financial crisis of 1997. However, this sparked a huge collective movement from the film industry in Korea; film makers, actors, distributors and the public who believed that the abolition or amendment of the screen quota system would destroy the film industry and, moreover, Korean traditional culture. Various civic groups formed coalitions such as Common Commission of Civil Groups for Protecting Korean Movies and Emergency Commission of Korean Film Makers. Facing strong resistance, the Korean government finally agreed that it put off any talks about abolishing the SQS until local films account for more than 40 percent of the cinema market in Korea.

Chapter Five

win–win case for both countries (Cutler 2006; Choi 2006a: 6)³. Both proposed ambitious objectives for the negotiations.

A ‘*high-level and comprehensive FTA*’ was proposed as the negotiations’ objective. ‘High-level’ in this context pointed to the removal of almost every trade barrier including tariff and NTBs; while ‘comprehensive’ indicated the inclusion of almost every trade related field as the subject of free trade, including not only industrial products but also agriculture, service, investment, intellectual property rights, etc. Also, under the terms of the negotiations, the US proposed a settlement of the FTA by early 2007 to meet the schedule for the US Trade Promotion Authority (TPA), the body that had the power to negotiate trade deals without amendment procedures from the US Congress⁴.

The beginning of negotiations (March 6th, 2006) came shortly after Korea agreed to the ‘*four preconditions*’; to resume the importation of US beef, cut the compulsory screening days of domestic films from 146 days to 73, to grant auto makers with a low share of the Korean market an exemption, until 2009, from Korea’s regulation on ultra–low emissions, and to agree to set up an independent mechanism under which drug reimbursement decisions would be reconsidered (these preconditions indicate that the Korean state can and does act independently, which some Korean scholars⁵ argue is indicative of the state dominating policy direction similar to the developmental state of pre-1987). From the Korean perspective (or at least those who supported the proposed agreement), it would be a milestone in foreign trade relations (Hwang 2006): the US was Korea’s third–largest trade partner, after China and Japan, and its second–largest export market. According to Korean Customs data, two–way trade reached US\$71.9 billion in 2005, only slightly below \$72.4 billion in Korean trade with Japan but well below the \$100.6 billion in Korean trade with China. And for the US, a bilateral trade deal with Korea, if completed, would mark the largest US FTA

³ The statement below, made by President Bush (Statement by the President, 2nd February 2006) shows the view of the US: ‘A FTA with the Republic of Korea will provide important economic, political, and strategic benefits to both countries and build on America’s engagement in Asia. The Republic of Korea is our seventh largest trading partner and seventh largest export market, and this FTA advances our commitment to opening markets and expanding opportunities for America’s farmers, ranchers, workers, and businesses.’ The term ‘win-win’ is frequently used when describing the expectations of both countries regarding Korea-US FTA to indicate benefits in terms of both economy and national security.

⁴ The two countries were under pressure to wrap up the talks by the end of March. US negotiators were required to present a deal to the Congress for a three-month review under President, George W. Bush’s TPA. The TPA, which was to run out on July 1st, 2007, required Congress to vote for or against a deal without making amendments.

⁵ (Lee 2007c: 285; Hong and Cheong 2006: 116).

Chapter Five

since the NAFTA in 1994 (USTR 2006; Schott *et al.*, 2006: 1).

Korea and the US officially signed a bilateral FTA on June 30th, 2007, putting an end to 17-month long negotiations. The negotiations were not all plain sailing however. Negotiation teams representing both countries met almost monthly, alternating – from their first meeting in Washington on June 5th, 2006, to their eighth in Seoul on March 12th, 2007 – between the US and Korea. Three weeks after final meeting, both parties simultaneously held high-level working talks at a chief delegate– and trade minister-level to adjust the final issues. In Seoul on April 2nd, 2007, Kim Hyun-chong, the Korean Minister for Trade and Karan Bhatia, Deputy US trade representative, officially announced the successful settlement of the FTA, after twice delaying the negotiation deadline of March 31st (see table5–1). Prior to the final talks in Seoul starting on March 26th, both countries continued to narrow the gap between their views through eight official negotiations and non-official talks. Given these circumstances, the success of the negotiations was only possible due to the strong political will of the executive and governments of both countries (Hwang 2006: 2; Lim 2006: 8; Klinger 2006: 13). A telephone conversation on March 29th, 2007 between President Roh and President Bush presumably played a major role in the final settlement⁶. Both parties were willing to close the deal before the end of March 2007 to meet the expiration of the US TPA (Cutler 2006: 5; Kim 2007b: 1).

Table 5.1: Chronology of the Korea–US FTA

| Period | Main Issues |
|------------------|---|
| Jan. 18, 2006 | President Roh indicated an intention for a Korea–US FTA in his new year’s speech. |
| Jan. 26, 2006 | Korean Prime Minister for Economy, Deoksu Han, announced the halving of the screen quota to 73 days, as well as the reopening of US meat importation. |
| Feb. 3, 2006 | Korean Minister for Trade, Hyun–Chong Kim, declared the departure of the negotiations at the US Congress. |
| Jun. 5–9, 2006 | 1 st meeting (Washington) – Established the foundations of the negotiations by integrating drafts from each division |
| Jul. 10–14, 2006 | 2 nd meeting(Seoul)– First initial offers exchanged |
| Sep. 6–9, 2006 | 3 rd meeting (Seattle) |
| Oct. 23–27 | 4 th meeting (Jeju) |
| Dec. 4–8 | 5 th meeting (Montana) |

⁶

Hankyoreh Daily Newspaper (29/03/29).

Chapter Five

| | |
|------------------|---|
| Jan. 15–19, 2007 | 6 th meeting (Seoul) |
| Feb. 11–14 | 7 th meeting (Washington) |
| Mar. 8–12 | 8 th meeting (Seoul) |
| Mar. 19–21 | High level talks (Washington – on textiles; Seoul – on agricultural products) |
| Mar. 26–31 | Trade Minister–level talks (Seoul) |
| Mar. 31 | Announced that the negotiation deadline was extended by 48 hours. |
| Apr. 2 | Korea–US FTA officially concluded |

* Source–MOFAT: <http://www.fta.go.kr/user/index.asp>.

According to Korea's 'FTA Road Map'⁷, a Korea–US FTA was regarded as a medium to long term project, driven more by high politics than economics and that it would impose significant adjustment costs not only on Korea's agriculture but services as well, with less tangible benefits for the manufacturing sector (Lim 2006: 2–3; Choi 2006a: 4–6). Some believed that there were economically superior alternatives to a Korea–US FTA that would derive a significantly lower political cost (Jeon 2005: 63). Considering this background, it would seem only natural that many Koreans wondered what had changed since the publication of the 'FTA Roadmap' to justify the government's new-found enthusiasm for a Korea–US FTA. A curious question is whether the systemic, statist or societal approaches provide any answers as to why the agenda setting phase of the Korea-US FTA was begun so quickly, which is at odds with the agenda setting phase of every other Korean FTA. The following section deals with the issue of why Korea chose the US as an FTA partner.

Probably the most pressing issue is why President Roh's administration suddenly initiated FTA negotiations with the US. Whereas all other FTA's and their

⁷ This road map, created in September 2003 and revised in May 2004, set basic guidelines for the FTA policy of the Roh' government, the criteria for selecting FTA partners and the list of prospective partner countries. This document elucidates the government's wish to develop comprehensive and high level FTAs with many countries simultaneously. Also, it suggests a list of FTA partner countries. According to this list, primary prospective FTA partners include Japan, Singapore, ASEAN, Mexico, the EFTA, etc. Countries that should be considered for the medium to long term are divided into three small groups. The first group includes countries that require an amicable mood for an FTA: the US, EU and China, and further, a Korea-China-Japan FTA and East Asian FTA can be considered. In other words, the goal was to create an environment for FTAs with large economic blocs. The second group includes countries that want to enter into an FTA with Korea: Israel, Peru, Panama, New Zealand, Australia, etc. The third group includes projections for the medium to long term: Canada and India. Such an order of priority cannot avoid necessary adjustments in practice. However, the sudden start of FTA negotiations with the US, which was set for the medium to long term, provided the main reason for criticism that an FTA with the US was developed without a proper period of preparation.

agenda-setting phases shared certain similarities, such as participants and extended duration, the Korea–US was anomalous in both these regards. And it is these differences which really go to the heart of the matter regarding the main issues at stake here.

Of these issues, the first to be dealt with here are the questions why was the US chosen and why so suddenly. Three approaches are examined here to help explain these questions; systemic, statist and societal explanations.

***Why did Korea decide to pursue FTA negotiations with the US?*⁸**

In 2005, many substantial meetings between trade ministers were held to assess the adequacy of a future FTA. However, they were not expected to come to any immediate conclusions. An official announcement that both countries would commence negotiations for a Korea–US FTA was made in Washington at 4:00am Korean time on February 2nd, 2006. The announcement to launch formal negotiations followed Korea's immediate concessions in four contentious areas: beef, automobiles, pharmaceuticals, and screen quotas. The majority of Korea's media and political commentators were shocked (Park and Park 2006: 322). The official launch of negotiations for a Korea–US FTA came as a surprise to many Koreans, despite the Trade Minister Kim Hyun-chong insisting that the Korean business community and general public overwhelmingly supported the idea of a Korea–US FTA⁹.

A bilateral FTA between Korea and the US had strategic implications; not only potential economic benefits, but for security relationships also. Furthermore, large economies have long been able to affect the economic incentives of smaller states by influencing regional and global market dynamics (Gowa 1994: 11-2). Although both Japan and Korea were security allies of the US, the relative strength of the two alliances had shifted over the years. The US–Japan alliance had been greatly strengthened over the past decade while the US–Korea alliance had suffered a series of political setbacks over a range of issues¹⁰.

⁸ This section (159- 166) has been published in the *Korean Observer*, Vol.40, No.3, 2009, title as “*The role of domestic factors in international trade policy: Demystifying the sudden start of the Korea-US FTA.*”

⁹ In the October 2004 poll conducted by the KITA, 76 percent of Korean trading companies responded favourably to an FTA with the US. In December 2004, a Korea Gallup poll showed that 80.4 percent of Koreans regarded the US to be a priority candidate for Korea's FTA partner.

¹⁰ These issues included the outcome of a trial of two US servicemen involved in an accident which

Chapter Five

In light of the unsettled nature of the US–Korea alliance in Roh’s term, the success of the negotiations of the US–Korea bilateral FTA assumed an importance that transcended purely economic issues. A successful negotiation of an agreement and its subsequent ratification by the US Congress and the Korean NA would be a concrete manifestation of the overall health of the relationship. The decision to move forward with the Korea–US FTA negotiations illustrated that both governments were committed to a stronger and mature bilateral relationship (Klinger and Kim 2007; Cheong 2004a: 15–16; Lim 2006).

But why was the US chosen? Many have attempted to offer answers, such as Kim (2007a), Schott *et al.*, (2006), Jackson (2006), Lim (2006) and Lee and Lee (2005a). Many of these authors utilised primarily systemic or statist approaches in interpreting the Korea–US FTA. The analyses provided by these scholars are useful for the reason (once we exclude the societal approach) that the systemic approach helps us to see the situation from the outside in, whereas the statist approach offers a view from the inside out. However, once the societal approach is considered, we see that their analyses tend to neglect certain factors that played demonstrably important roles (i.e. key domestic stakeholders).

However, this thesis argues that domestic stakeholders played a defining role in the FTA and therefore shall argue that the societal approach best helps to answer the question; why the US?

Of the analysts listed above, only Lim does not rely heavily on the systemic approach, all of the others have a large dose of this approach in their interpretations. And while this approach does help to explain some of the factors, it does not explain other, equally important factors. Schott, Bradford and Moll (2006) extol the virtues of a spillover into broader regional and economic/political relations; an FTA would deepen already strong commercial ties and reinforce their political commitment to work cooperatively to deal with the security challenges in the region. Jackson (2006) waxes on about political aims. Choi (2006a: 3) speaks of exogenous factors; the cost of being excluded from the proliferation of FTAs and enhancing competitiveness. Lee and Lee (2005) speak of Korea enhancing its regional position. Kim (2007a) mentions further

resulted in the deaths of two schoolgirls, the decisions by the Pentagon to move all US forces stationed in Korea south of the Han River and to remove the second infantry division permanently out of Korea, and a disagreement between the two governments over the appropriate timing of transfer of ‘wartime operational control’ over Korean forces to the Korean government.

Chapter Five

positive spillover effects also on broader bilateral relations; specifically that the US remain a strategic and economic counterbalance to China and Japan while producing a better climate for improving North–South relations.

Some Korean experts have also interpreted the Korea–US FTA using the systemic approach; arguing that the US wanted an FTA with Korea for international politics/security reasons rather than economic reasons. Prof. Lee Hye-young at Hanshin University, policy planning director of the Korean ‘Alliance Against the Korea–US FTA’ insisted that “there is not a single country with an FTA with the US that has strong military power.” The US tries to build economic and military/security bases through FTAs with less significant countries in each region (Lee 2006b: 10; 2006c: 6). In a similar vein, Cheung Tae-in, the former Secretary of the National Economy contended, “We are strong in manufacturing as well, but the US can lead the agreement to their advantage through tariffs or trade barriers. Furthermore the US intention that they try to besiege China by including us in the FTA circle that would, by default, assist a solid US–Japan alliance is to plain to see¹¹.”

Finally, a compensatory approach (as a subset to the systemic approach) explains that the decision to initiate an FTA with the US was made with a view to managing the Korea–US relationship (i.e. to ‘compensate’ the US for the strains in the Korea–US relationship). Later in his presidency, Roh acknowledged that the North Korean problem had created a fissure in the Korea–US alliance and argued that bilateral economic ties would have to be strengthened to compensate for strained security relations¹². However, the diagnosis and treatment for the anxieties over national security were handled quite differently between conservatives and liberals. Many conservatives believed that the Korea–US FTA would strengthen the alliance (Lee and Lee 2005a: 138–146). But that leaves an important question unanswered; why did President Roh, whom they considered to be anti–American, support the Korea–US FTA? His anti–American stance and support for the Korea–US FTA would seem mutually exclusive.

However, many liberals criticised President Roh for initiating the development of the Korea–US FTA in the first place (Lee 2006d: 20–21; Choi 2007: 5–7). They

¹¹ Hankyoreh Daily Newspaper (10/03/2006).

¹² See Lee Joo-young, ‘Controversy over President Roh’s motive to push for KORUS FTA negotiations,’ The Kyunghyang Daily Newspaper (08/08/2006). The Blue House (presidential mansion) denied the story and threatened to take legal action against the newspaper. This was a rather odd response given that the article was a fairly straightforward piece based on interviews with unnamed ruling-party lawmakers. The Blue House subsequently took no legal action.

Chapter Five

believed the Korea–US FTA would perpetuate economic and military dependence on the US (see below). However, those who believed President Roh’s good intentions interpreted it as part of his strategy to affect a compromise over the North Korean nuclear issue with the US.

In other words, the Korea–US FTA would bring advantages to the US and in return the US could lighten its hard–line policy against North Korea. From the liberal point of view, North Korean nuclear development was the result of a perceived US threat and the reason why the nuclear issue remained unresolved was due to this same hard–line US policy. Therefore, to encourage the US to ease its hard–line policy against North Korea, Korea should offer the US something to ‘sweeten the pie’, so to speak. One manner of sweetening the pie was the dispatch of Korean troops to Iraq when war broke out. The other emolument that Korea could offer was a bilateral FTA.

While these explanations provide a geo-political context to help map out the systemic approach, they fail to address the movements of Korea’s domestic tectonics that also pushed for an FTA with the US, factors that were equally important.

At the same time, each of the analysts listed adopted, to varying degrees, a statist approach in helping to interpret the Korea–US FTA. And, at first blush, the statist approach does seem to deal articulately with many of the issues that are left unresolved when using a purely internationalist approach. A recurring theme under this approach is the economic factor. Schott *et al.*, (2006) note that FDI, knock on improvements (locking in domestic reforms) and creating and setting a regional gold standard for an Asian financial hub were all relevant to the decision of choosing the US as an FTA partner. Jackson (2006) and Choi (2006) also mention economic factors; the evolution necessary for structural change in Korean industry and addressing polarisation. As did Lee and Lee (2005a) access to the US market was seen as a source of quality investment and a valuable transfer of technology.

Identification of the Key Domestic Stakeholders

Dominance of MOFAT

However, decisions on the development of a Korea–US FTA were possible only because MOFAT successfully persuaded the President in favour. The MOFAT framed the Korea–US FTA as an economic issue¹³ rather than a security issue, whereas the Korea–US relationship was viewed almost exclusively as a security issue. Thus creating a safe conceptual space by which discussions and policy-making decisions for a Korea–US FTA were possible as strong anti-American security issues were excluded¹⁴. The implicit corollary to this, given the outcome, was that discussions regarding the FTA with the US were held exclusively between the president and the MOFAT. This is in fact backed up by some important members of the administration. According to Jeong Tae-in, former Presidential Secretary for National Economy, until May 2005 when he left the Blue House (Presidential Residence) “no report on the Korea–US FTA was made to National Economic Advisory Council and International Economy Committee,” the highest level advisory organisations for external/internal economic policies. He also asserted that as far as he knew, there was no discussion on the Korea–US FTA in the ‘National Security Council (NSC)’ or ‘Presidential Committee on Northeast Asian Cooperative Initiative’, both of which advise the president on foreign policy issues. He further criticised that the MOFAT bypassed the formal policy-making procedures and privately persuaded President Roh to sanction an FTA with the US¹⁵.

This situation – ostensibly – tends to favour a statist approach in that the FTA was obviously a deal favoured by MOFAT and it was MOFAT which helped to persuade the President to give the Korea–US FTA the green light.

The societal approach, however, seems to have attracted few adherents and yet it is by using this approach while analysing data provided in interviews that the answer to our question becomes less blurred around the edges. This thesis examines the role the

¹³ This is also shown in the comment made by President Roh, to ‘negotiate by thoroughly focusing on the actual profit’ (at the Cabinet Council on March 16th). In particular, President Roh said, ‘There are those who put too much emphasis on political aspects of FTAs, however no discussion is needed except for economic issues.’ He also told his Cabinet to ‘focus solely on economic profit; take it if it is profitable, otherwise no negotiations are needed’ (E-daily 13/03/2007).

¹⁴ Jeong Tae-in, ‘If you do not know yourself and your enemy, you will always fail,’ speech at the NA, the Korea-US FTA Special Committee Session (Hankyoreh Daily Newspaper 24/04/2006).

¹⁵ ‘Korea-US FTA should not happen,’ (Maeil Daily Newspaper 03/04/2006).

FKI led coalition played in getting the Korea-US FTA ball rolling.

In cahoots – the MOFAT and the FKI

A societal approach to interpreting the choice of the US as an FTA partner has already been partly explored in Chapter Four and one that is of particular importance to this thesis. The FKI was an important player during the agenda setting phase of all Korean FTAs. And so they were here. Their relationship with MOFAT had taken something of a battering during the Korea–Japan FTA and, subsequently, they were looking at ways of mending their mutual relationship¹⁶. This is not to say that the relationship was irreparably damaged, far from it but what had happened was that the FKI led coalition – during the Korea–Japan FTA negotiations – had left the MOFAT somewhat wary of large corporations' intentions regarding further FTAs¹⁷. Furthermore, the actual political climate gave these same corporations pause for concern. President Roh's 'independent' streak (or as some might say, his mild 'anti-Americanism'¹⁸) and its manifestation in public policy alerted the corporations to the possibility that increasing the political distance between the two countries (Korea and the US) could manifest itself in economic distance. A scenario they most certainly did not want to see come about (Kim 2006a: 16). However, in adversity lies opportunity. Given the president's political stance, a direct approach from the FKI would probably not have yielded immediate or impressive results¹⁹. Combined with the fact that the corporations felt that they had to resolve some outstanding issues concerning the MOFAT²⁰ and future FTAs and one could almost feel that fortune itself took a hand in directing the route they were to take. The FKI²¹ took their concerns directly to the MOFAT, with whom they maintained direct contact despite the Korea–Japan FTA debacle. The FKI's approach consisted of advising strongly in favor of an FTA with the US and, given the

¹⁶ Interview conducted with Hug Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, February 28th, 2007.

¹⁷ Interview conducted with Park Dong-sung, Director in KCCI, Seoul, February 29th, 2007.

¹⁸ Hong (2006: 50-51).

¹⁹ Interview conducted with Jeong Tae-in (Hankyoreh Daily Newspaper 29/03/2006).

²⁰ Interview conducted with Kim Sung-hyun, senior researcher in Korea International Trade Association (KITA), Seoul, February 25th, 2007; Interview conducted with Kim Tae-wan, manager of Economic Research Department in SERI, Seoul, March 3rd, 2007.

²¹ Interviews conducted with Chang Kuk-hyun, former president of the Washington Office of the FKI (retired in March 2009), Seoul, August 8th, 2009. He stated that the FKI and the Korean government (in particular, MOFAT) had closely collaborated in initiating the Korea-US FTA.

Chapter Five

trade minister's favourable stance regarding FTAs²², they were pushing a door that was, if not completely open, at least already slightly ajar. The FKI had many former policy makers as members and deliberately formed close ties with the current policy makers²³. Traditionally, many bureaucrats became business leaders as they progressed along their career ladders in Korea. This situation has created an identifiable community among bureaucrats and business leaders, the result being that the two groups tend to have easy access to one another (Miner 1997b: 656). Recently, for example, the former trade minister, Kim Hyun-chong became the chief executive officer (CEO) of Samsung Electronics in March 2009. This "revolving door" type of hiring policy adopted by major corporations highlights the intimate relationship between the upper echelons of the business community and the Korea government.

From late 2004 to early 2005, the FKI communicated their preference for an FTA to the MOFAT's trade minister through advisory, consultative, and collaborative commissions. This process was actually provided for under the "Provisions on the Procedures of FTA Ratification" (a presidential decree) where an FTA non-governmental consultancy was established, composed of representatives from industries and academic circles. Despite their previous infidelity, once they had collaborated with the MOFAT over what route a future FTA might take²⁴, the trade minister, Kim Hyun-chong, felt it was appropriate to bring the idea of an FTA with the US to the president.

The question is though, why did President Roh, given his political proclivities, agree with his trade minister even though this was to result in him losing support from the agricultural and labour sectors? First, even though President Roh was widely viewed as "anti-"American politically speaking, he has been a strong supporter of FTAs. For example, he actively supported the Korea-Chile FTA. Secondly, he arguably viewed the FTA with the US as a way of strengthening the Korean economy and thus, paradoxically, allowing him to distance Korea from the US politically (Lee 2008: 15; Yeonguhoe 2007). The president became enamoured with the idea of an FTA with the US so much so that he was to become one of its most ardent supporters²⁵. It is at this

²² Interviews conducted with Park Myung-jae, Former Minister of Public Administration and Security (MOPAS), Seoul, August 7th, 2009.

²³ The government accepted 90 percent of the FKI's policy suggestions since the 1990s (Shafter, 1994: 25).

²⁴ Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

²⁵ Jeong Tae-in, guest column in the Hankyorech Daily Newspaper (10/04/2006).

point where the issue is elevated from a societal approach to that of a combination of statist/systemic approaches.

Economic debates

According to the proponents of the Korea–US FTA, expected benefits for Korea included preferential access to the US market and improvement in economic efficiency, especially in the service sector (McDaniel and Fox 2001). Korean officials extolled the catalytic effect that adherence to the disciplines of a ‘gold standard’ FTA with the US could have not only on the competitiveness of the Korean economy, but could also yield a more open and competitive domestic market (Schott *et al.*, 2006: 2). In addition, the FTA could play an important role in acting as a catalyst for ongoing domestic reforms (Choi 2006a: 3–4; Lee and Lee 2005a: 114–118). The FTA with a liberalised investment regime and service trade would unleash higher efficiency and productivities, generating faster growth for Korean economies (Choi 2006a: 4). Furthermore, an FTA with the US was predicted to produce significant economic benefits for the Korean economy, increasing Korea’s real GDP by as much as 2 percent, establishing a foundation for achieving a per capita income as high as \$30,000, boosting exports to the US by 15 percent, and creating 100,000 new jobs²⁶. The International Trade Commission (ITC) showed that Korea’s expected benefit would be equivalent to 0.7 percent of its GDP²⁷.

Choi (2006a)²⁸, minister for economic affairs at the embassy of Korea in Washington, made many similar points, such as; that an FTA between Korea and the US would contribute significantly to bilateral trade; increase economic welfare and employment; provide more secure market access; lock in a variety of domestic reforms; generate greater efficiency, productivity, and economic growth, possibly motivating other countries to pursue FTAs with Korea and the US; allow Korea to seek longer implementation periods for vulnerable sectors, particularly agriculture and services; and develop domestic programs for adjustment assistance. Therefore, it would only be

²⁶ Speech by Assistant US Trade Representative Wendy Cutler to the American Chamber of Commerce in Seoul March 7th, 2006.

²⁷ US International Trade Commission (USITC), US-Korea FTA: ‘The Economic Impact of Establishing a Free Trade Agreement (FTA) Between the US and the Republic of Korea,’ (Washington, DC: USITC, 2001).

²⁸ Choi Seok-young (2006) Testimony before the US International Trade Commission, Washington, D.C., April 20th, <http://keia.org/4-1-fta.html>.

natural for Korea to choose the US as an FTA partner, which is the world's most advanced economy. Furthermore, it would enable Korea to connect at all levels with the US economy, providing a much needed stimulus to accelerate economic reform and upgrade the economic and social systems.

However, many of these arguments have been challenged by opponents. A number of studies of a possible Korea-US FTA were carried out; Kiyota and Stern 2007; Lee and Lee 2005a; Choi and Schott 2004, 2001; McKibbin *et al.*, 2001; Cheong and Wang 1999. These studies relied on CGE models, which provide an economy wide framework for analysis that takes into account the interdependencies that exist both within and between countries. Except for Lee and Lee (2005), in all studies²⁹, the welfare effects of a Korea-US FTA on the US are very small, ranging from 0.01 percent of GDP to 0.23 percent of GDP for complete bilateral tariff removal and from 0.07 percent to 0.13 percent of GDP with allowance for an increase in the capital stock (Kiyota and Stern 2007: 18).

For Korea to make a significant gain from preferential market access under an FTA, the difference between the counterparty's tariff rates applied to FTA-signatories and non-signatories has to be large, as in such countries as China. As the US average tariff rate was already quite low, at approximately 2.5 percent, Korea's expected gain from preferential access to the US market was likely to be small. By contrast, because Korea's average tariff rate was three times (7.7 percent) as high as that of the US, the US gain from preferential access to the Korean market were likely to be large. In fact, the KIEP estimated that in the medium- to long-term, Korean exports to the US would increase by \$7.1 billion while the US exports to Korea would rise by \$12.2 billion (Lee and Lee 2005a: 116). In the US there are some sectors such as textiles, sugar, and dairy products where high import tariffs³⁰ are imposed to protect domestic producers. However, Korea's prospects of making a significant gain in these sectors are rather

²⁹ Cheong and Wang estimated (1999) that Korea's welfare would increase by \$4.8 billion (1.7 percent of GDP) and US welfare would increase by \$3.7 billion (0.7 percent). McDaniel and Fox (2001) expected that US economic welfare would increase by \$19.6 billion (0.23 percent of GDP) and Korean economic welfare would increase by \$3.9 billion (0.69 percent of GDP). Choi and Schott (2004, 2001) calculated that Korea's economic welfare would rise by \$4.1 billion (0.91 percent of GDP) or \$10.9 billion (2.41 percent of GDP) in the two scenarios. The results are considerably smaller when agricultural liberalisation is excluded. US economic welfare would rise by \$3.8 billion (0.03 percent of GDP) or \$8.9 billion (0.13 percent of GDP). The Korea-US FTA is shown to increase Korea's economic welfare by \$9.28 billion (1.26 percent of GDP), with \$4.48 billion coming from the bilateral removal of manufactures barriers and \$5.46 billion from bilateral removal of the services barriers. US economic welfare is increased by \$25.12 billion (0.14 percent of GDP), with \$7.27 billion coming from elimination of manufactures tariffs and \$19.20 billion from elimination of services barriers (Kiyota and Stern 2007: 55).

³⁰ The US applies a weighted average tariff of 13.1 percent textile and apparels (Choi 2006a: 6).

bleak for several reasons.

First of all, these heavily protected sectors in the US tend to have strong political clout, and these vested interests are unlikely to make concessions unless they are amply compensated for their expected losses, as happened in other US FTAs (e.g. the Australia–US FTA)³¹. Second, restrictive rules of origin – such as ‘yarn forward’ in textiles – are likely to prevent Korea from greatly increasing its exports to the US even after signing the FTA (see below). Third, The Korean government flagged its intention to discuss a number of controversial issues with the US³². Some of them were related to anti-dumping (AD) and countervailing duties (CVD), issues close to the heart of the Korean government (Lim 2006: 6). However, The US has never included any new alterations in these areas in any FTA to date. Furthermore, the TPA legislation clearly notes that the US Trade Representative (USTR) had no mandate to negotiate on these issues³³.

In sum, the Korea–US FTA is unlikely to raise Korea’s share of the US market by a significant amount from its current level of 2.6 percent. General efficiency gain from the FTA is more likely, but this effect should not be exaggerated. According to the previously mentioned KIEP study (2004), Korea’s expected overall benefit from the FTA would amount to 1.99 percent of its GDP ‘over the long term’ – not each year. Although this is not an insignificant figure, it is by no means large and is quite sensitive to the underlying assumptions of the estimation model.

The overall economic benefit from an FTA with US was a rather disappointing figure in view of the fact that the CGE models used in these studies assume costless adjustment. Furthermore, Korea’s agricultural output was projected to decline by \$8.8 billion if all tariffs on agricultural products, including rice, were abolished immediately (Lee 2005 *et al.*, 1-5). The KREI (2006) allowed for less drastic adjustments and assumed that rice would be excluded and tariffs on major commodities to be only partially reduced. Even in this case, however, total agricultural production would decrease by almost \$1 billion, while Korea’s import of agricultural products would

³¹ For example, the US’s pharmaceutical research and manufacture of America (PHRMA) lobbied US trade negotiators to seek Australian government commitments to refrain from trade distorting or discriminatory price controls. For further details, see, Harvey (2004) ‘Patents, pills and politics: the Australia-US Free Trade Agreement and the Pharmaceutical Benefits Scheme,’ *Australian Health Review*, Vol. 28, No. 2, 218-226.

³² E.g. goods made in the North Korean Kaesong industrial complex as ‘made in Korea,’ and to include Korea in the US visa waiver programme.

³³ ‘KOREA-US FTA Negotiations: Steady Progress, Challenges Still Ahead,’ February 2nd, 2007, http://www.dynamic-korea.com/opinion/view_opinion.php?keyword=visa&main=FTC&sub=&uid=200700030481.

Chapter Five

increase by \$1.9–3.2 billion, and the employment within the agricultural sector would decrease by 70,000 to 140,000. Such adjustments would involve significant restructuring costs (Kim 2006b: 200).

More fundamentally, Korea's welfare gains derive primarily from allocative efficiency effects, related to reforms Korea undertakes; whereas the US welfare gains come from increased export opportunities in the Korean market³⁴. This asymmetry makes it difficult for the two sides to balance their respective gains, unless the US agrees to make major concessions such as taking rice off the table³⁵.

In sum, Korea's expected benefits from a Korea–US FTA might not be as large as claimed by its proponents. Moreover, the proposed FTA may have the effect of introducing new problems in some sectors. For example; the service sector accounts for around 55 percent of Korea's GDP in 2004 (Lee 2006a: 188). According to KIEP's Study (2004), Korea was far behind the US in terms of labour productivity in every sector except in the electricity, gas and water service. This inferiority could negatively impact Korea's manufacturing industry. Korea's average applied agricultural tariffs were circa 50 percent with several tariff peaks, resulting in vulnerability to liberalisation. Korea allowed minimum market access (MMA) for rice through the use of quotas (Manyin 2006: 14). In December 2004, US and Korean officials announced an agreement under which Korea would double the amount of rice it imports over the next 10 years and provide guaranteed access for 50,000 metric tons (MT) of US rice each year (Manyin 2006: 14). After much debate, this agreement was ratified by the NA. Now, to sign a bilateral free trade agreement, Korea and the US must liberalise “substantially all” trade between the two countries under GATT/WTO Article 24 (Yang 2008: 130; Holwill and Andel 2006: 4). Supporters of the Korea–US FTA were keen to focus on the long-term benefits but were also willing to admit that in the short-term some restructuring would be necessary. Opponents, on the other hand, focused on the short-term impact on Korean industry and were not so sanguine about the long-term prospects. These distributional consequences and the perception of the FTA as a process of

³⁴ For details, see Jeffrey J. Schott, Scott C. Bradford, and Thomas Moll, ‘Negotiating the Korea-US Free Trade Agreement,’ Policy Briefs in International Economics Number PB06-4 (Washington, DC: Institute for International Economics, June 2006: 7).

³⁵ There is some economic logic to taking rice off the table as its production is heavily subsidised in the US. See Schott *et al.*, (2006).

Chapter Five

globalisation help define the domestic stakeholders who were to take part in the FTA process. Which brings us to the question, who are the domestic stakeholders?

Supporters and opponents

Inevitably, there were both supporters and opponents of the Korea–US FTA. Indeed it would probably be fair to say that the Korea–US FTA has been the most controversial to date and, as a corollary to this, has attracted the attention of more of the Korean public, groups and concerned parties than any other FTA to date (Choi 2006a: 5; Jackson 2006: 4-5). It is therefore doubly necessary to elucidate the groups and their rationales so as to distinguish between the various strains of support and opposition that existed (and are still extant). Despite the plethora of involved parties there is a simple dividing line which, at risk of stating the obvious, is as simple as those who support and those who oppose the trade agreement. A defining characteristic of those who supported the FTA (i.e. key government bodies, liberal reformers, pro–American conservatives, and FKI led exporters) was that of looking at the FTA through the lenses of economic benefit. For example, the US has the largest economy in the world and access to this market was considered an El Dorado by many. On the political front, a spill–over effect of an FTA with the US would help to reinforce the Korea–US alliance. Opponents (e.g. farming sector, labour unions, film–makers & anti–globalisationists and the pharmaceutical industry) also looked to economic factors but rather instead focused on the negative aspects such as the destruction of Korea’s agricultural sector and the struggle that less competitive industries would face. We shall begin by looking at the FTA’s supporters.

Supporters of Korea–US FTA

Supporting Rationales

Korea–US FTA supporters display many of the following characteristics. Firstly, they have a positive stance towards the opening of markets. They believe the only way for Korea to survive as a trading country (that has over 70 percent of reliance on trade), is to actively participate and compete in the global market. They believe that FTA policy would enhance business efficiency and bring more profit. Secondly, they believe an FTA with the US would result in the increase of competitive power. Furthermore, being the first country in East Asia to have an FTA with the US would

Chapter Five

create expectations of US market advantages and increased US market share of Korean products (Na *et al.*, 2006: 23-24). Thirdly, they believe the Korea–US FTA would strengthen the Korea–US alliance and have a positive influence on Korea’s national security (Cheung 2006: 33-37). Fourthly, it might also lift Korea’s status in East Asian regional economic partnerships.

Key government bodies

As discussed in the previous two chapters, the MOFAT had an important role to play in supporting FTAs, including the Korea–US FTA. Other government bodies in support were MOCIE. Significantly, as a reaction to the active public opposition generated by those who opposed the Korea–US, a government body, called the ‘*Korea–US FTA Supporting Committee*,’ (KORUSSC) was formed by the government and financed using public funds³⁶ in order to help counteract the effects that groups such as the *KoA* generated (see below). The chairman was a former Minister for Economy; committee members have included government officials, business leaders from Korean industry and government funded research institutions. The Committee focuses on promoting the Korea–US FTA, yet it also delivers industry positions to the negotiation team and controls the activities of other supporting groups such as a group of five leading Korean industry organisations led by the FKI, KFSMB, KEF, KITA and KCCI.

Liberal Reformers

Although Korea achieved a Gross National Income (GNI) of \$10,000 in the mid 1990s and became an OECD member, the 1997 financial crisis caused an economic meltdown. Korea eventually overcame this in the early 2000s and reached a GNI of almost \$20,000 (Sin 2006: 12). Yet many Koreans do not consider Korea to be an economically developed country (Yoo 2007: 103–105), and so they ask; how can Korea reach the threshold of developed countries? This is, without a doubt, one of the most important questions that many Koreans ask today. The answer to this question, with a

³⁶ The committee was set up August 1st, 2006, comprising seven key members from private sectors and seven from government ministries (further details; see footnote 16 in Chapter Three).

risk of oversimplification, has two sides: one side emphasises the re-distribution of already existing wealth while opposing globalisation, whereas the other side emphasises continued growth and supports economic globalisation specifically. If the former can be called liberal nationalism, the latter can be called liberal reformism (Kim 2005a: 30–35). The most active supporters of the Korea–US FTA in Korea are liberal reformers.

Liberal reformers believe that advancing the Korean economy depends on increases in economic efficiency gained from promoting competition and structural reform via open markets³⁷. They firmly believe that protectionism, based on government intervention in the national economy, which is a legacy of government-led economic development, and mercantilist foreign trade custom, cannot lead to successful global competition. Liberal reformers have a tendency to argue that a Korea–US FTA would present a great opportunity to advance Korean economic institutions and upgrade economic structures. They assert that opening markets is part of a global trend and that ‘with a Korea–US FTA, opening and reform are the keys to opening doors for the future of Korea³⁸’.

Liberal reformers abound in Korean society. A considerable amount of them are economists working in the likes of universities, economic research institutes, private businesses, etc. The majority of public servants in government ministries and offices of economy also think positively about opening markets, although they are not expressive on reforms in government regulation (Cheong 2005b: 30). Of course the MOAF, which manages agriculture, is an exception. Economic research organisations led by the government, including the KIEP, are generally liberal reformers. Needless to say, the MOFAT also actively supports opening markets. Liberal reformers also tended to share a similar outlook with FKI (Kim 2006e: 30).

Exporters or FKI led exporters

The US, next to China, is Korea’s second most important trade partner. In 2005, Korea exported \$41.3billion in goods and services to the US and imported \$30.6 billion

³⁷ The liberal reformers’ views on supporting the Korea-US FTA are well presented in Cheong’s (2006) ‘*Debate on the Korea-US FTA: What is the Truth?*’

³⁸ Choi (2006a) and Park (2006), representative liberal reformers, suggest three reasons for an FTA: ‘for the security of the Korean peninsula, for new motivation for economic growth and for reform from the inside.’ (Chosun Daily Newspaper 27/11/ 2006).

Chapter Five

worth (Lim 2006: 9). Hence Korea gained a large \$10.7 billion trade surplus with the US. Such trade imbalances have stirred US discontent with Korea's economic policies and consequently the US has requested the opening of Korean markets to resolve this imbalance (e.g. automotive trade³⁹). An important question to ask at this juncture would be what kind of impact would a Korea-US FTA have on trade between the two countries? Studies (Cutler 2006; Winder 2006: 15–26; Lee and Lee 2005a: 106–135) in the US and Korea have shown that trade would increase, but US exports to Korea would increase by a larger amount and therefore the trade imbalance would significantly improve (Lee and Lee 2005a: 109–112). However, such predictions are dependent on the exact content of the agreement.

One commonly predicted aspect is that the US would increase its export in agricultural products and services while Korea would do so in industrial products – especially cars, auto-parts, textiles and clothes. Based on these assumptions, the delineation between supporters and opponents becomes more obvious. Inevitably the large corporation and export orientated industry representative groups had much to say in favour of a possible Korea-US FTA.

The FKI stated that;

“the Korea-US FTA will increase trade between two countries and help our businesses to enter the US market, which is the largest market in the world and we will do our best to strengthen our competitive power through technology and management reform to make Korea one of the strongest, a developed country in the world⁴⁰.”

The KITA supported the FKI in its statement;

“FTA with US will raise competitive power of our products in the US market, which will help our exports to the US and will lead to an increase in the national income and unemployment. It will be a stepping stone for us to become an advanced country through the globalisation of our economy⁴¹.”

The KCCI and KEF respectively stressed in its official comment;

³⁹ For further details, see Manyin (2006) *'South Korea-US Economic Relations: Cooperation, Friction, and Prospects for a FTA'*, CRS Report for Congress, 15-17.

⁴⁰ FKI (2006) Korea-US FTA, FKI Issue Report, February 4th, 2006.

⁴¹ Korea Herald (04/02/2006).

Chapter Five

“Korea-US FTA should be considered and approached on the level of national interest and beyond the interest of specific industries or groups; all businesses and economic bodies should cooperate to make our economy advanced and revitalised and this agreement will be a big help to our med/long term economic development and after this agreement, hopefully we will develop more FTAs with many other countries. The government should establish supporting measures for agricultural industry and other relatively weak industries in this agreement⁴².”

FTA supporters are found in the export industry sector. However, the US has, on average, a very low tariff rate and so much of what Korean exporters wanted to achieve from the Korea-US FTA was related to NTBs. According to research done by the FKI, Korean businesses wanted to restructure NTBs that had a negative influence on Korean exported goods, such as those associated with difficulties in customs inspections, trade remedies, technology barriers, environment regulations and distribution of goods⁴³. Table 5.2 displays the expectations that Korean industries had of the Korea-US FTA.

Table 5.2: Korea-US FTA Effect/Influences and Industry Standpoints by Industry

| Industry | Korea-US FTA Effect/Influence and Industry Standpoint |
|-----------------------|---|
| Automobiles | <ul style="list-style-type: none"> – Secured steady export market, reduced trade war. – Insignificant export increase effect due to tariff removal (2.5 percent). – Market share of US automobile will increase when removing domestic tariff. – Korea-US FTA is necessary. |
| Electronics | <ul style="list-style-type: none"> – Export increase in high end electronic products such as digital TVs expected. – Cellular phone and semiconductors are already exported without tariff. – Some items including electronic medical devices and measuring devices will have disadvantage. – Trade Remedy System including AD and CVD should be improved. – Welcome Korea-US FTA. |
| Machinery | <ul style="list-style-type: none"> – Investment vitalisation expected. – Cost reduction by more chances of entering US market and drop of import price of raw materials and parts. – Import control including AD Duty System and technology barrier is in effect – Some cutting-edge products might have disadvantage, but a long tariff grace period should be secured. |
| Steel | <ul style="list-style-type: none"> – Non-tariff export, no direct effect from FTA. – US AD should be improved. |
| Textiles | <ul style="list-style-type: none"> – Export increase expected when US tariff removed. – Yarn Forward, non-tariff barrier, should be improved. – Against introducing US special safeguard system for textiles. – Special exception on outward processing of Gaecheon Industrial Complex needed. |
| Petrochemical | <ul style="list-style-type: none"> – Unlikely to expect export increase, increase of high value added product import expected. – Protection for products under development or at initial phase of commercialisation needed. – No tariff should be applied to basic raw materials. |
| Fine Chemistry | <ul style="list-style-type: none"> – Increase of export of some items with high US tariff rate of 6.5percent expected. – Import of basic raw materials, medicine and cosmetics might increase. – Considering our competitive power is inferior, protection for domestic businesses should be maximised. |

⁴² Mael Business Daily Newspaper (04/02/2006).

⁴³ The FKI (2006); Lee Hee-beom, at a conference held by the KITA, delivered the message as a co-chairman of ‘FTA Industry Alliance’ to the government that for successful settlement of the Korea-US FTA, US Trade Remedy System should be improved and it can be understood in this context. He pointed out that ‘for the past 25 years, \$37.3 billion, which holds 6.8 percent of Korean export to the US, was restricted by AD and CVD and that to experience the effect of export increase to US, rationalisation of the Trade Remedy System is essential,’ (Seoul Daily Newspaper 02/07/2006).

Chapter Five

| | |
|---------------------------------|--|
| | – Mutual authorisation on various test evaluation criteria needed. |
| Shoes | – Increase of functional shoes export expected. – Moderation of criteria for confirming the place of origin, products manufactured in Gaeseong Industrial Complex confirmed as domestic products. |
| Heavy Electric Equipment | – Export will increase, but import of large volume generators will also increase – Supports the Korea–US FTA. |

* Source: “Korea-US FTA, *FKI Issue Paper*, ” No.61 (October 25th, 2006).

Pro–American Conservatives

Many Korea–US FTA supporters are pro–American conservatives and many of these pro–American conservatives are also right–wing nationalists. Their basic ideology is a strong hostility towards North Korea and a strong confidence in the Korea–US alliance. There are various groups within this category. For example, the Retired Colonel Association is an organisation of retired colonels who consider themselves right–wing conservatives with strong representational powers. Under the name of the National Movement Headquarters, they frequently remonstrate against the North Korean government and any displays of Korean government tolerance of the North Korean regime (Roh 2007: 149).

More moderate right–wing Christian organisations, such as the Korean Christian Movement Council can be included in this category, along with the New Right, the Liberty Union and the Free Citizens’ Alliance of Korea. The National Convention to Support the Korea–US FTA was organised by these same groups and reflects their views and stance towards the FTA. Pastor Seo Gyeong–seok, at the convention on July 12th, 2006, asserted that Korea–US FTA opponents are against it “because it will make the alliance between the two countries more solid⁴⁴. They are against it because of their anti–American sentiment.” Park Ge-un, chairman of the *Korea–America Friendship Society* (KAFS), said, “the reason why we support the Korea–US FTA is that Kim Jeong–il and pro–North Korean left–wing groups who follow him were against it⁴⁵.” Jae Seong–ho (Professor at Chung–Ang University), co–representative of national union of New Right said, “the Korea–US FTA is not about ideology or conflict between left and right; it is essential in strengthening our country’s

⁴⁴ Dong-A Daily Newspaper (13/07/2006).

⁴⁵ Ohmy On-Line Daily Newspaper (12/07/2006).

competitive power in this era of globalisation⁴⁶.” Hong Jin-pyo, secretary-general of Liberty Union (LU), also said, “the FTA will maximise consumer profit in terms of lowering prices and increasing exports to US⁴⁷.” This would suggest that for some, at least, the conflict within Korean society over the Korea-US FTA is viewed from a pro- and anti-American dichotomy. The actual size of these groups is small when compared to opponent groups in terms members. Not surprisingly, these pro-American groups find it difficult to mobilise on an effective scale for public demonstrations in support of the Korea-US FTA in comparison with the KoA. However, their ability to ruminate publicly on this issue is not confined by their lack of numbers. The Korea-US FTA’s opponents, on the other hand, suffer from no such lack of numbers.

Opponents of Korea-US FTA

Opposing Rationales

Opponents of the Korea-US FTA share many concerns⁴⁸. First and foremost is their negative view concerning the opening of markets. They believe that opening markets will cause employment instability and income inequality (Go 2006: 85–86). They also believe that Korean markets are already too open and that further opening would cause losses rather than gains. Secondly, an FTA with the US would create no practical benefits for Korean businesses (KoA 2006a: 6–10). Korean goods exported to the US are exported mostly with either very low tariffs or none at all; therefore it is quite unlikely that an FTA would contribute to an increase in exports. Rather, the Korea-US FTA might cause the opening of domestic markets in Korea to US businesses. This concern is clearly displayed in opinion polls conducted by the JoongAng Daily Newspaper (see Figure 5.1) and the Hankyoreh⁴⁹. According to the opinion poll by the latter, 47.5 percent opposed the FTA while 40.5 percent supported it. Other opinion polls offered different results. Interestingly, opponents and supporters

⁴⁶ Chosun Daily Newspaper (06/02/2006).

⁴⁷ Maeil Business Daily Newspaper (07/07/2006).

⁴⁸ The following two books effectively articulate the opponents’ arguments against the Korea-US FTA: edited by the KoA (2006b) ‘*National Report on Korea-US FTA*,’ and Lee Hae-young (2006c) ‘*Unfamiliar Colony, the Korea-US FTA*.’

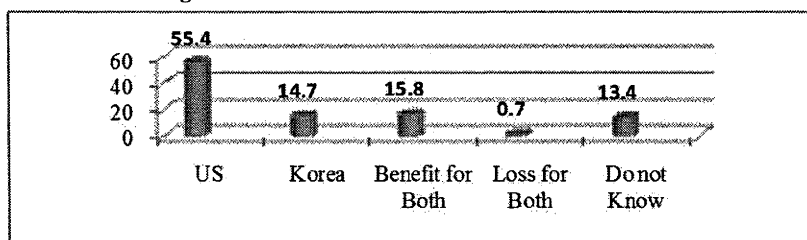
⁴⁹ The Joins.com co-conducted the opinion poll with Media Daum and Research & Research on April 4th, 2007. The poll was conducted nationwide, through telephone interview on 700 people aged over 19 and evenly allotted by location, gender and age (JoongAng Daily 10/04/2007).

Chapter Five

provided different opinion poll results. Generally speaking however, the FTA's opponents received higher support prior to the 4th round of negotiations. For example, 42.6 percent in favour vs 45.4 percent for opponents-MBC poll published on 9th July 2006, 30.1 percent in favour vs 49.5 percent for opponents, MOFE 26th September 2006. After the 4th round of negotiation, support for the FTA increases in the polls. For example, 50.6 percent vs 43.0 percent for supporters, SBS 15th February 2007, and 48.0 percent vs 35.0 percent for supporters, MBC 4th April 2007.

The fact that the nature of the Korea-US FTA is a comprehensive and far-reaching trade agreement implies the presence of many organisations opposing the Korea-US FTA. Many groups and organisations in Korean society fear the Korea-US FTA could damage their livelihoods. At the same time, the fact that it is an *FTA with the US* is also very significant. Indeed, many of the organisations belonging to the *Korean Alliance against the KorUS FTA* (KoA) are anti-American liberals (i.e. they are against the tightening of relations with the US in any situation). This is displayed by the fact that many alliances were formed in response to the negotiation phase of the Korea-US FTA, yet not against the FTAs which the Korean government has negotiated with other countries. A KoA slogan often repeated at anti-FTA demonstrations is; “Bring down American Imperialism, Free the country”⁵⁰.

Figure 5.1: Which one will have benefit from Korea-U FTA?



Opponents also believe that a stronger Korea-US alliance, as a result of the FTA, would be an obstacle to improving relationships with North Korea and China, which may in turn have a negative influence on Korea's national security. They view Korea's relationships with China and North Korea as more important (Hong 2006: 50;

⁵⁰

Field research on March 8th and 14th, 2007, in Seoul. I observed several anti Korea-US FTA demonstrations organised by the KOA. At every demonstration anti-American, anti-WTO and anti-FTA placards and slogans were much in evidence. Anti-American sentiment was quite popular and was regularly seen as a natural corollary to globalisation.

Chapter Five

Kim 2005b: 266–267). Furthermore, opponents assess the Korea–US FTA as a backward step in the trend of regional economic cooperation recently developed in East Asia; and this would eventually have a negative impact on Korean economic development. They consider the FTA sought by the US as a way of keeping a close watch on China and an interference with the regional cooperation of East Asian countries. Finally, they assert that any Korea–US FTA will reflect the power imbalances that exist between the two countries, which will lead Korea into a disadvantaged trading position. Such assertions are not completely baseless; many are supported by the evaluation of experts regarding the core issues of the settlement (Park 2006: 35–40; Lee 2006c: 30–35). For example, an opinion poll by the PSPD, one of key civil organisations, conducted on experts shows the total score of –4.25points (see Table 5.3)⁵¹ (highest +5 points, lowest –5; a 10 point range measuring the Korean government’s negotiating successes).

Table 5.3: Evaluation Scores on Korea–US FTA Issues by Category

| Issue | Average |
|---|---------|
| Investor–State Dispute Settlement | –4.37 |
| Anti–Dumping Duty and Trade Remedy | –4.37 |
| Medicine/Medical devices | –3.80 |
| Intellectual property right | –3.80 |
| Tariff removal on agricultural goods | –3.61 |
| Screen quota | –3.49 |
| Inclusion/exclusion of the negotiation issues by the government | –3.31 |
| Procurement | –3.15 |
| US beef | –3.10 |
| Automobiles | –2.87 |
| Financial services | –2.85 |
| Gaeseong Industrial Complex | –2.50 |
| Broadcasting | –2.03 |
| Telecommunication | –1.81 |
| H–1B visa quota, etc. | –1.74 |

* Source: People's Solidarity for Participatory Democracy (2007).

Based on the PSPD’s analysis - as the Korean government lacks negotiation

⁵¹ 54 experts published a comprehensive evaluation report on the Korea-US FTA titled ‘Korea-US FTA is - 4.25 points on average (highest +5; lowest -5).’ No agreement in each issue received points above average (0 points) and the worst agreement was ‘Investor-State Dispute Settlement (ISD)’ (-4.37) in which Korea accepted US requests from the beginning of the negotiation. According to this report, 89 percent (48) of experts said ‘negotiation processes are not transparent.’ To a question whether Korea-US FTA is based on nation’s consent, all 54 experts answered ‘No’. Regarding settlement within the US TPA, 53 experts had negative views. Experts chose; ISD Settlement; Opening sensitive agricultural goods including rice; Trade Remedy (AD Duty-related negotiation); Drug price-related policy including Drug Price Rationalisation as ‘the core issues of the Korea-US FTA’ (in order of importance). For a deal breaker, 72 percent (39) of experts chose the ISD Settlement followed by opening public services; opening market of agricultural goods including rice; and Trade Remedy. ‘Worst agreements’ were the ISD Settlement and the Trade Remedy-related agreement (both -4.37 points). Although no items received points above average of 0, which could be considered relatively high, the highest was -1.74 points for agreements related to ‘securing H-1B visa quota and mutual acceptance of professions’. This report was prepared by professors, lawyers and patent agents, who have been monitoring Korea-US FTA negotiation process (Hankook Daily Newspaper 08/03/2007).

strength and experience - Korea seems to have little to gain from negotiations held within the US TPA schedule. The PSPD was not the only group that opposed the Korea-US FTA.

Agricultural sector

There is little doubt that the Korea-US FTA had the most potential out of all FTAs to damage the agricultural industry (Im 2007: 131-134; Choi 2006a: 5). Korean agriculture simply does not have the ability to compete internationally (Kim and Ahn 2007: 95). In fact, agriculture is a great obstacle to opening Korean markets. Even in the UR, WTO agriculture negotiations and FTA negotiations with Chile, the Korean government was forced to minimise the opening of the agriculture/livestock markets. Although the government has provided large-scale financial support to appease farmers⁵², proof that shows Korean agriculture has gained increased international competitiveness is yet to be found anywhere. Having gone through the process of opposing previous FTAs, farmers had become well organised and had developed alliances with several civil groups (as in the case of the FTA with Chile). A similar scene was to be repeated during the Korea-US FTA negotiations.

Table 5.4: Impact of Korea-US FTA on Korean Agriculture

| | Scenario 1 | Scenario 2 | Scenario 3 |
|-------------------------------|--------------------|--------------------|-------------------|
| Agriculture Production | Δ22,830 (-3.7) | Δ18,003 (-3.2) | Δ11,552 (-1.9) |
| Agriculture Import | 31,719 (155.4) | 25,265 (123.8) | 18,353 (89.9) |
| Agriculture Employment | Δ142,816 (-6.2) | Δ111,494 (-4.9) | Δ71,505 (-3.1) |

Unit: 100 million, person, percent, Note: Figures in () indicate increase/decrease rates compared to those of 2001 compared to rates of 2000 in case of employment).

Scenario one: Rice excluded, 50percent tariff reduction on high rate tariff items, tariff removal on the rest items.

Scenario two: Rice excluded, 30percent tariff reduction on high rate tariff items, 80percent tariff reduction on major sensitive items, tariff removal on the rest items.

Scenario three: Rice excluded, 10percent tariff reduction on high rate tariff items, 50percent tariff reduction on major sensitive items, tariff removal on the rest items.

* Source: Kwon Oh-bok (2006b), "Current Situation of the KORUS-FTA and Its Impact on Korean Agriculture." Journal of flood management, Vol.13, No. 2.

Table 5.4 shows the impact of the FTA on Korean agriculture in scenarios suggested by Kwon Oh-bok, director of the FTA team at the KREI. Scenario one shows

⁵²

It was \$570 million dollars in 1994 and \$1,190 billion dollars in 2003.

Chapter Five

the strongest impact of tariff removal on agricultural goods; scenario two the medium impact; and scenario three the lightest impact. According to these estimates, damage to Korean agriculture by the Korea-US FTA ranges between 1,200 billion and 2,300 billion Won in production; and would reduce employment from 143,000 to 72,000. Imports of agricultural goods would increase from 1,800 billion to 3,200 billion Won. This is further evidence of why farmers were – and still are – strongly opposed to the Korea-US FTA.

The NFF compared the FTA to “a nuclear bomb” for Korean agriculture⁵³. The main framework for their opposing argument is as follows: firstly, once the FTA is settled between the two countries, US agricultural goods would pour in (Yun 2006: 164–165). Secondly, as the tariffs on agricultural goods are gradually removed, the damage would snowball; thirdly, special benefits from the NACF would be removed; finally, US multinational grain manufacturers would take on the Korean agriculture market, a Goliath vs. David scenario that would flip the biblical parable on its head and see Goliath squash David. The settlement in agriculture⁵⁴ excluded opening rice market whose annual production is 9.7 trillion Won; however the settlement was predicted to damage livestock, fruit, vegetable and grain industries significantly. Initial offers on tariff-sensitive agricultural goods were as follows: Tariff rate Quotas (TRQ) would be applied to only five items; potatoes, soybeans, natural honey, powdered skim milk and powdered whole milk; current 50 percent tariff on oranges would remain during the circulation period for domestic production, from September to February, and 30 percent seasonal tariff would apply for 7 years (removed at the end of those 7 years); and US TRQ amount would be 2,500t annually⁵⁵. And both countries agreed to 15 years for beef; 20 years for apples and pears; 10 years for pork and chicken, which continues the pattern of long-term tariff removal on most of the sensitive items. The Kwon (2006: 202) estimated 1.4 trillion to 2.25 trillion Won for annual damage to agriculture. This is 6.7 percent of 33.37 trillion Won of annual gross agricultural production. The

⁵³ NFF, ‘Once the Korea-US FTA is settled, our country will be destroyed,’ <http://www.ijunnong.net>.

⁵⁴ The real outcome of agricultural negotiations cannot be precisely known until the agreement itself is finally ratified as it suffers under a kind of Heisenberg Uncertainty Principle, i.e. the details cannot be precisely coordinated until the final deals are negotiated. According to Park Hong-su, of MOAF, the FTA will immediately affect 576 agricultural items, which represent 54.5 percent of total imports. There were 1,531 taxed items in overall agriculture division; 576 items of them were immediately removed. It holds 37.6 percent in the number of items and 54.5 percent in import amount. The items included grains for feed, coffee, animal/vegetable oil and wine. The US on the other hand, immediately removed 80 percent of the items (Hankyoreh Daily Newspaper 04/05/2007).

⁵⁵ Nonmin Daily Newspaper (04/04/2007).

Chapter Five

unemployment rate in agriculture was estimated to increase to seventy thousand to a hundred and forty thousand. Annual livestock production decrease would be 770 billion; fruit, 370 billion Won; and grains except rice, 540 billion Won. The 15 percent tariff on beef would be removed within 15 years; and tariff on apples would be completely removed in 20 years; on pork and chicken in 10 years. In case of beef, where the most damage was forecast, the annual production was expected to decrease by approximately 200 billion Won; and pork, 130 billion Won. The price of Korean beef, whose annual market scale was about 3 trillion, would drop by 8.7 percent while the US beef rapidly would be expected to make inroads into Korean market. In fruit, apple production would decrease by 89 billion Won; grapes by 63 billion Won; and orange by 51 billion Won⁵⁶.

The evidence in support of such calamitous forecasting provided ample justification for farmers' anti-FTA protests, at least from their own perspective. In addition to the NFF, the KAFF, the National Farmers' Union (NFU) and other strong farmers' groups were formed to protest against the Korea-US FTA.

Labour Unions

There are two national level labour unions: the more moderate being the FKTU and the relatively liberal KCTU. Despite the rivalry that has existed between these two labour unions, they do share a similar view regarding the Korea-US FTA⁵⁷. The KCTU has played a major role in securing necessary equipment and human resources for the KoA's activities.

Why are unions against the Korea-US FTA? Firstly, one might think that the FTA would not be unfavourable to labour, since the labour charter, which is to be included in the Korea-US FTA settlement, guarantees basic work rights. Despite this inclusion, labour unions are of the opinion that the labour charter would act merely as a set of guidelines and would therefore not guarantee any benefits or basic work rights (Lee 2007c: 284). They also believed the FTA would have a highly negative influence on overall labour-management relations. Three major reasons can explain this negative

⁵⁶ No-cut Daily Newspaper (02/04/2007).

⁵⁷ Interview conducted with Chung Byung-duk who was vice-Manger of the KCTU, Seoul, March 12th, 2007; Interview conducted with Baek Hyun-gi, executive director of the FKTU, Seoul, March 18th, 2007.

Chapter Five

impression⁵⁸.

Firstly, even if the FTA increased exports and foreign investment, there would be no effect on generating employment (Lee 2006c: 478–500). The unions suggest as supporting evidence for this view that the Korean economy had recently experienced ‘growth without employment.’ They assert that more exports to the US or income from US capital does not necessarily increase employment. Since most investments are in mergers and acquisitions (M&A) as opposed to building new plants, they assert that it may increase unemployment through structural reform. Secondly, they argue that the Korea–US FTA would increase the demand for labour market flexibility, which would lead to less regular employment conditions (Kim 2007c: 150). The American Chamber of Commerce in Korea (ACCK) has constantly pointed to the rigidity of Korean labour–management relations as an obstacle for American businesses to enter the Korean market⁵⁹. The unions assert that once the Korea–US FTA is settled, US requests will be accepted, which will lead to active structural reform throughout Korean businesses, which would result in American–style labour management relations, which they view as a detrimental outcome⁶⁰. Thirdly, they believe that the Korea–US FTA would increase earning differentials in Korean society and deepen poverty, which would ultimately lead to an increase in social polarisation. While major businesses with international competitive power would gain (even though small), the majority of SMEs would be damaged; even those who work in major exporting businesses would experience job insecurity and wage drop. A publication from the FKTU stated;

It is to be expected that a Korea–US FTA and its concomitant structural reforms will result in an assault on many of the workplace benefits that Koreans take for granted, such as the right to work. As people say; it will be ten times bigger than the IMF crisis, many people will be removed from their work once companies enter structural reform mode, regardless of fields. Some say over 500,000 will lose their jobs. Since the impact of unemployment will not be absorbed into the reform process right away, this will lead to an overall wage drop and worse labour conditions. In the end, the right to live and work might be violated due to structural reforms and labour flexibility⁶¹.

It is important to note that the Korean workplace has changed drastically since

⁵⁸ For further details on labour unions’ position vis-à-vis the Korea-US FTA’s see Cha and Lee (2006).

⁵⁹ ACCK (2006) US-Korea Business Council and American Chamber of Commerce in Korea views on proposed FTA with the Korea, Testimony before the Trade Policy Staff Committee, March 14th.

⁶⁰ They believe that there would be “a race to the bottom” due to neo-liberal structural reform (Ahn 2006b: 20).

⁶¹ FKTU (2006).

Chapter Five

the '97 financial crisis. Until then, the Korean workplace was governed by tradition as much as law (Shin 2007: 520). Wage systems based on lifetime employment and the seniority rule, which were traditional facets of Korean labour–management relations, rapidly collapsed (Cha and Lee 2006: 595). Increases in unemployment and non–regular working conditions have resulted in a more flexible labour market (Cha and Lee 2006: 590-591; Lee and Kim 2003: 135). Those who could protect themselves in such circumstances tended to be workers in major businesses that had well–organised labour unions. The power of Korean labour unions is renowned. These unions have provided job security and high salary increases through negotiations with their respective employers. An absolute majority of those who did not have unions, or worked in companies in poor financial condition did not enjoy such protection.

Film Makers

On January 26th, 2006, the Korean government announced a 50 percent reduction of screen quotas. This was a reduction of mandatory showing days for Korean films from 146 days to 73 days a year. The US had demanded the screen quota reduction for Korean films ever since BIT discussions were held between two countries in 1998 (Shim 2007: 420). Korean filmmakers were obviously strongly opposed to the decision. This was one of the four crucial issues on which the government capitulated in order to initiate the Korea-US FTA. The Korean government explained that it was to reduce ongoing trade dispute issues. However, it soon transpired that this decision was part of the so–called ‘Four Preconditions.’ Needless to say, this gave FTA opponents cause for alarm, as the government surrendered a great deal before the negotiations even started.

Probably the most important reason why filmmakers had opposed the FTA is because they believed it would destroy the Korean film industry (Yoo *et al.*, 2004: 120; Choi 2006c: 3). They argued that the Korean film industry could not compete with Hollywood’s huge capital, global distribution network and markets⁶². They used Mexico as an example to support their view. After NAFTA was settled, Mexico reduced

⁶² The Coalition for Cultural Diversity in Moving Images(CCDMI) estimated damage of approximately \$32.8 million for a one-day reduction in the screen quota; \$3 billion for a ten-day reduction; and \$10 billion for a fifty-day reduction in their study on economic effects of screen quota reductions (Lee 2006d: 10).

Chapter Five

their screen quota by five percent in 1992 and then abolished the quota system altogether in 1998. The Mexican film industry produced 53 films in 1993, then only 10 in 1998 (Shim 2007: 414). Although the Korean film industry is growing under the protection of the screen quota system, there is fear that the film industry would collapse should the quota system be reduced or scrapped altogether. There are however, voices that counter this assertion. As Korean films have over 50 percent market share in the Korean film market, the film industry's opposition to screen quota reduction is criticised as a manifestation of selfishness by some sections of the conservative media⁶³. This was based on the concern that the screen quota issue was interfering with international economic strategies such as the Korea-US FTA. It has suggested that filmmakers should not require screen quotas, but rather they should improve their competitiveness⁶⁴. A small minority of filmmakers have made an impact opposing the Korea-US FTA by using their popularity⁶⁵. Despite their tiny numbers, their media profile as movie stars gives them inordinate access to public influence.

But why was the Korean movie industry less successful with the Korea-US FTA than it was with the Korea-US BIT? The simple answer is that the agenda setting for the BIT was not held in secret, thus the Korean film industry was able to generate interest and opposition while the BIT was being discussed. In comparison, the FTA agenda setting was hidden from public, denying potential opponents the ability to organise and counter its component parts while they were being discussed, with the agreement announced almost as a *fait accompli*.

Anti-Globalisation movement and Anti-American liberals

The voices of Korean society opposing globalisation are powerful and multitudinous. Korea has experienced many aspects of globalisation from the opening of agriculture markets in the UR to the period of IMF imposed policies following the financial crisis. Many Koreans view globalisation as the cause of the fall of Korean agriculture – particularly the policies enacted at the behest of the IMF – due to the

⁶³ Chosun Daily Newspaper and Dong-A Daily Newspaper.

⁶⁴ Liberty Union issued two public statements (January 26th, 2006 and February 13th, 2006).

⁶⁵ An Sung-gi, Jang Dong-kyun and Kim Hae-soo, of the most famous film actors in Korea, they protested in front of the NA from February 3rd, 2006 until April 24th, 2006.

opening of markets (Kim and Ahn 2007: 94; Kim and Lee 2003: 97–110), increase in unemployment (due to structural reform) and deepening of earning differentials (Park 2001: 80; Cho 2003: 67–70). Anti-globalisationists tend to put the country before the market and distribution before growth. In a nutshell, they think an FTA would make the worker weaker, create job insecurity and damage an already weak social safety net⁶⁶. Included in this section are anti-American liberals. The reason for their inclusion under this rubric is the fact that in Korean society there is a blurring of lines between anti-globalisationists and anti-American liberals. Particularly when dealing with the anti-FTA movement, this blurring between American policy and the process of globalisation tends to be exaggerated considerably.

Anti-American liberals

After the process of democratisation in the 1980s and 1990s, an undercurrent of anti-Americanism has never been far from the surface of Korea politics (Lee 2004a: 250–260). Following the election of President Roh in 2003 and his election promise to steer an independent course from America, the sense of anti-Americanism has grown considerably⁶⁷. From the point of view of those who held an anti-American point of view, it was the US that supported and pushed the process of globalisation. Again – from the anti-American point of view – this close relationship between Korea and the US fostered hostile relations between North and South Korea.

Despite this somewhat vague historical rationale, the reasons that anti-American groups oppose the Korea-US FTA are varied⁶⁸. First, the economic alliance forged through a Korea-US FTA, followed by military alliance, would – they believe – result in a ‘perpetuation of military subordination to the US’ (Kim 2006a: 15–18). Second, a strengthening of the alliance with the US through an FTA would be harmful

⁶⁶ This view is widely held by most liberal groups. This is identified by Cheong Ji-young (2006a), in ‘Actual Current Issue of the Korea-US FTA: Is It a Globalisation of Finance and Military led by US, National Peace or a Universal Right?’ (Newstoon On-Line Daily Newspaper, 10/06/ 2006).

⁶⁷ Anti-Americanism takes numerous different forms. Some of the groups belong to the Korean Alliance against Korea-US FTA include: Unification Union for Realisation of 615 North and South Co-Declaration and Peace in Korean Peninsula (www.615tongil.org); National Union for Securing National Independent Democracy and Right to Live (www.minjung.or.kr); People’s Solidarity for Social Progress and National College Students’ Union.

⁶⁸ Lee (2006c) ‘*Unfamiliar Colony, Korea-US FTA*’; Kim (2006a) ‘*Outline of National Report on Korea-US FTA*’; The Korea-US FTA source books published by liberal groups such as the KFTU, F KTU and National Union (www.minjung.or.kr), without exception, contain criticism on strengthening Korea-US alliance through an FTA.

to the national interests of Korea in Northeast Asia. Given the current situation in East Asia and the China–US competition for supremacy, the Korea–US FTA would have negative influence on the Korea–China relationship and would interfere with the developing relationship between North and South Korea (Lee 2006e: 30). In other words, they assert that Korea–US FTA would cause instability on the Korean peninsula and Northeast Asia⁶⁹. Third, the Korea–US FTA would interfere with the currently developing East Asian regional economic cooperation initiatives (Lee 2002b: 110).

It is difficult to measure how strong anti–Americanism is as a counter–argument to the Korea–US FTA. But one thing that is certain is that anti–Americanism has contributed to the spreading of anti–Korea–US FTA sentiment. Even those who oppose the FTA for reasons other than anti–Americanism, the fact is the ground–swell of anti–Americanism has interacted with anti–Korea–US FTA sentiment and created a synergistic effect⁷⁰.

Setting the stage for a discussion of the channels of influence

This section will be divided into three subsections dealing with each phase of the FTA process. There is, however, one detail that differentiates the Korea–US FTA from the previous two; the ratification phase for the Korea–US FTA is still technically in operation and inevitably any interpretation of future events is inherently flawed. Nevertheless, it is this dissertation's argument that domestic stakeholders have influenced previous FTAs and equally so here, despite the current wrangling over the final issues (indeed, the current wrangling can also be explained as the result of pressure applied by these same domestic stakeholders).

The agenda setting phase, *ad nauseum*, is dominated by a select group of government policy makers. However, what is strikingly unusual in this case was the secrecy in which this phase was conducted and the limited number of government

⁶⁹ Furthermore, opponents express extreme anti-American sentiment by associating the Korea-US FTA with strategic flexibility issues. Bae argues that American imperialism enhances political, military and economic alliance (subordination) by having FTA with countries in important locations for military/political strategy in each continent (2006: 65-66). The US uses FTAs as means to secure economic, political and military supremacy of American imperialism. As American strategic flexibility means using Korea as US omni-directional military base, the Korea-US FTA will isolate continents including China economically.

⁷⁰ Interview conducted with Lee Hae-young, one of the co-leaders of the KoA, Seoul, February 2nd, 2007; Interview conducted with Park Won-suk, one of the directors of PSPD, Seoul, March 15th, 2007.

players involved. The negotiation phase, in comparison, was not so secretive and, subsequently, more confrontational. By the time the negotiation phase of the Korea–US FTA took place, both sides of the debate had time to absorb the lessons of previous confrontations and, thus, the scope of the confrontation was wider and more intense. Add in the fact that there are more domestic actors involved in the debate concerning the Korea–US FTA than any previous FTA and it is understandable why a confrontation more akin to General Ludendorff’s ‘total war’ has taken shape than in previous debates over FTAs.

Succinctly, domestic stakeholders spoke of their concerns and had those concerns addressed, despite the monumental efforts on behalf of its supporters to have the FTA passed post haste. We shall begin by analysing the agenda setting phase first.

Agenda Setting Phase—Supporters’ complete dominance

The agenda setting phase of the Korea–US FTA was, as has already been pointed out, a very secretive affair and therefore, one would presume, equally opaque to any discerning analysis. While this is true to a certain degree, it does not mean no analysis is possible. The roots of the Korea–US FTA can probably be traced back to the stalemate of the Korea–Japan FTA. The FKI led coalition of the latter FTA was quite successful in stalling the agreement, however in the process they stood to damage their long-term interests. The coalition believed in the opening of markets – but only under auspicious circumstances – and the spanner they threw into the Korea–Japan FTA had the potential to damage their excellent working relationship with both government and the MOFAT (i.e. the ability to access IPI and PPPM, See previous chapter). The MOFAT, on the other hand supported the opening of markets on point of principle and was eager to continue the trend of pursuing further FTAs⁷¹. And so the FKI coalition saw their opening to revitalise their ongoing relationship with the government and the MOFAT and, at the same time, avail of what is the biggest single market for Korean exports, i.e. the US market⁷². Furthermore, it stood a chance of reconciling the two

⁷¹ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, March 4th, 2007.

⁷² Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, March 4th, 2007.

Chapter Five

countries which had, in the FKI's view – and much to their chagrin – drifted apart⁷³.

So, without further ado, the FKI set in motion a charm offensive on the MOFAT. They set up a series of meetings and conferences whose goal was an exchange of ideas and initiatives, all under the political radar using informal channels⁷⁴, PPPM, and concomitantly due to the MOFAT's role as both key domestic stakeholder and political institution, IPI. Needless to say, the outlook both shared regarding the opening of markets (at least when it suited the FKI) was very much in lockstep. It did not take long for the Korean Minister for Trade, Kim Hyun-chong, to develop a keen awareness of the benefits, as outlined by the FKI, of an FTA with the US for Korean industry.

President Roh Moo-hyun, it should be pointed out, supported an unusual, though not unique, dichotomy. He was both a left-wing politician and a supporter of FTAs (his support of the Korea–Chile FTA was unabashed). While this may not seem particularly germane at first glance, it was the Minister for Trade's awareness of this dichotomy which enabled him to approach a left-wing president with a penchant for acting independently of the US with the idea of forging an FTA with precisely the country President Roh wished to act independently of. By using the president's support for FTAs and using singularly *economic* arguments, Minister Kim eventually convinced President Roh that a Korea–US FTA would be a good thing and might actually supply him with some political capital that he was desperately in need of⁷⁵. With little delay and with the president's support, the Minister of Trade visited the US in 2005.

The Minister of Trade, Mr. Kim made an effort to persuade his US counterparts on two fronts: one was direct persuasion of the US Congress and administration⁷⁶. He also explained the necessity of a Korea–US FTA through talks with US trade representatives. A Korea–US FTA development was also a major issue in subsequent summit talks between the two countries. These talks between Korea and the US were

⁷³ Interview conducted with Choi Sung-hyun, Senior Research Fellow, International Affair Division in FKI, Seoul, March 4th, 2007; Interviews conducted with Chang Kuk-hyun, former president of the Washington Office of the FKI (retired in March 2009), Seoul, August 8th, 2009.

⁷⁴ Neither of the interviewees, from the KERI and the FKI, mentioned informal channels directly. I did, however, recognise that they repeatedly spoke about the close relationship between key governmental ministries and key FKI individuals. In particular, FKI senior members (those who used to work in government ministries in key positions) had met key governmental individuals repeatedly during this period. Interviews conducted with Chang Kuk-hyun, former president of the Washington Office of the FKI (retired in March 2009), Seoul, August 8th, 2009. He stated that the FKI and the Korean government (in particular, MOFAT) had closely collaborated in initiating the Korea-US FTA.

⁷⁵ Interview conducted with Kim Jong-hoon, current Trade minister (former the chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 21th, 2009.

⁷⁶ Kim Hyun-chong, the Minister of Trade of Korea, talked about Korea-US FTA negotiation with JoongAng Daily Newspaper (08/02/2006).

Chapter Five

held after the APEC summit meeting in Pusan in November 2005 and are considered the decisive starting point of the negotiation phase of the Korea–US FTA⁷⁷. The other method of applying pressure on the US to sign an FTA was through Korea developing FTAs with other NAFTA member countries such as Canada and Mexico. Despite the halt put on the Korea–Mexico FTA due to circumstances in Mexico, official negotiations for an FTA with Canada began in July 2005. The Korean Minister of Trade stated that the Korea–Canada FTA negotiations played a major part in convincing the US to commence FTA negotiations with Korea⁷⁸. In response to the Korean Minister of Trade, the US laid down a series of preconditions that had to be met should Korea seriously wish to engage the US in negotiating an FTA. These preconditions were met without delay.

Lack of opposition

As far as those who would oppose the Korea–US FTA were concerned, the ‘Provisions on the Procedures of FTA Ratification (PPFR)’ explicitly stated that a series of public hearings would be necessary before any official steps were taken regarding FTA’s. They were of the opinion that this presidential decree set out the criteria for carrying any discussions on FTAs forward and that the public hearings were an integral part of the process⁷⁹. Thus, they presumed to be included in the FTA process, from beginning to end. The first of such public hearings occurred on February 2nd, 2006. The following day the government announced its plan for a Korea–US FTA. The opposition immediately decried that the government had deliberately hoodwinked them into attending what was essentially a rubber stamp meeting.

⁷⁷ Ibid.

⁷⁸ Kim Hyun-chong, the Minister of Trade in the MOFAT, interviewed conducted with JoongAng Daily Newspaper on February 2nd, 2006, he said that ‘As I accompanied the President on an overseas visit in autumn last year, I told the President that we need a Korea-US FTA to become a leading trading country. It might be fruitful if we had a successful negotiation process, the President Roh then told me that we should give it a try if we needed it.’

⁷⁹ Based on ‘the Establishment and Operation of Contracting Procedure Regulations of FTA (EOCPR)’ (Presidential decree No.121) and ‘PPFR’ in June 2004.

Negotiation Stage: Opponents' derogation of the FTA

Battle lines drawn

Considering how cavalier the government was in abandoning its own 'EOCPR,' the opposition realised with the conclusion of the agenda-setting phase that confrontation during the negotiation phase was inevitable. And so the opposition immediately started to draw up plans for confronting the government's FTA policy⁸⁰. While many groups – from labour to agriculture to civic – were involved in opposing previous FTAs, there was a new impetus following the government's announcement of February 3rd, 2006. Their experience opposing FTAs had led them to conclude that strategic alliances were of great value in opposing government FTA policy. What had become obvious during previous clashes was that single disaffected groups were individually weak but allied together they presented a far more serious threat. Almost two months after the government's presumptuous announcement a whole range of Korean groups, organisations, affiliations and interested groups formed '*The KoA*'. The KoA consisted of entire sections of Korean society, from labour unions to the agricultural sector to civic groups to opposition minority parties and various other miscellaneous parties with vested interests (film sector, East Asianists, the pharmaceutical industry, etc.). The organisation comprised over 300 sub-organisations and had task forces for 14 sectors including agriculture, livestock, fisheries, culture, art, education, finance, health medicine, intellectual property rights and so on. Also, there were local task forces for each region⁸¹. Other large alliances were also formed⁸². All of which were clearly indicative of OP.

The KoA utilised informal channels of influence, public influence primarily (i.e. as one of the three key structures of channels of influence), with rare exceptions. One of their most powerful and aggressive protests against FTA was held on November 22nd, 2006 in which nearly 75,000 people from many cities countrywide took part in, resulting in substantial damage to public and private property⁸³. The KoA held large street protests whenever negotiations took place. Outside the building where the final

⁸⁰ Interview conducted with Lee Hae-young, one of co-leaders of the KoA, Seoul, February 2nd, 2007;
Interview conducted with Park Won-suk, one of directors of PSPD, Seoul, March 15th, 2007.

⁸¹ The website of this organisation (<http://www.nofta.or.kr>) introduces the organisation and its activities as well as offering various materials that take a negative point of view towards the Korea-US FTA.

⁸² Such as PSPD, KPAFW, FK TU, KFTU, CCEJ, KPL, and DLP.

⁸³ Chosun Daily Newspaper and Dong-A Daily Newspaper (23/11/2006).

Chapter Five

meeting was taking place, one protester attempted to burn himself to death.

On Saturday, November 25th, 2006, central Seoul saw 8,000 people protest against the talks with the US. Liberal civic groups, liberal-minded lawyers, far-left DLP members and a sprinkling of movie stars denounced President Roh for promoting the negotiations and for dancing to the US' tune. The group, calling itself a "pan-national group to stop the FTA," said Saturday's rally would not be its last⁸⁴. In opposition to the anti-FTA campaigners, a group of right-wingers gathered for a pro-FTA rally and denounced their opponents.

The catalyst for the explosion against the free trade talks appears to have been a former Blue House economic aide, Jeong Tae-in. He had long served as an economic adviser to Mr. Roh, but parted company with him over the issue of the Korea-US FTA. In an interview with an internet news⁸⁵ outlet, he said, "It's no use making peace with a scoundrel, what awaits us in the end is a fatal blow to ourselves, leading only to our downfall." In a bitter, pejorative tone, Mr. Jeong also denounced the push for free trade talks as merely the "result of President Roh's haste to have a quick, visible achievement near the end of his presidential term." Mr. Jeong claimed that core figures in the trade and finance ministry and other FTA-related offices have blinded the president and are pushing him into what he called disadvantageous negotiations⁸⁶. The opposition was not alone in preparing for the struggle ahead.

The negotiation phase is markedly different from the previous two empirical chapters in one fascinating way. What is unique here is that one has a situation where the government – in the shape of the MOFAT, the Minister of Trade and the president – was acting *publicly* as the sole supporter for the FTA and has continued to push for ratification (whereas with the Korea-Japan FTA the government *was* alone and stood aside). The opposition, in the meantime, was represented by the KoA behemoth. The result was that both sides of the conflict were represented by two immensely powerful bodies, either the government (pro-FTA) or the KoA (anti-FTA). This, in turn effectively meant that the opposition was by and large, confined to utilising informal channels (as primary) throughout the negotiation phase.

The negotiations were held alternatively in the US and Korea. Due to the logistical and

⁸⁴ Kyunghyang Daily Newspaper (27/11/2006).
⁸⁵ Ohmy On-line Daily Newspaper (20/04/2006).
⁸⁶ Hankyoreh Daily Newspaper (12/04/2006).

Chapter Five

financial difficulties of opposing the FTA on US soil, the KoA ensured that each meeting of the negotiation phase of the Korea–US FTA which occurred on Korean soil was well opposed thus ensuring a high media profile.

Supporters

Instead of expressing their support individually for the Korea–US FTA, many businesses and FKI gathered by industry or national economic organisation – in support of FTAs – and attempted to contact government officials to deliver their demands quietly, through PPPM and IPI. There are similarities between the Korea–US and Korea–Chile FTAs in this regard.

There are a few reasons which help explain this⁸⁷. Firstly, individual businesses believed that openly expressing support could lead to a boycott of their products by the FTA's opponents⁸⁸. Secondly, export industries were concerned that openly supporting the FTA might lead to social compensation costs despite the fact that the government openly declared that neither specific businesses or industries would have to provide financial resources for compensation⁸⁹. Thirdly, business and economic groups at the national level had direct, official channels to the government. For example, economic groups, which lead *the FTA Industry Alliance*, have a strong partnership with the government⁹⁰. Another example is the *Korea–US FTA Supporting Committee* which is a government funded organisation, of which the chairmen of the KITA and KCCI are members of this committee. Given these close relationships, many industrial figures consider lending open support a poor tactical choice, considering the potential repercussions.

In terms of their relationship with the government and the trade barrier issue, Korean businesses tend to be rather passive in these matters. Korean businesses are

⁸⁷ Interviews conducted with Lee Byeong-wook, director of Economic Research Division of the FKI; Interviews conducted with Cheong Jae-hwa, director of Institute for International Trade of the KITA were very helpful in laying out these arguments, Seoul, March 5th, 2007 and March 10th, 2007.

⁸⁸ For more detail, see footnote 17 in Chapter Three.

⁸⁹ Interviews conducted with Chang Kuk-hyun, former president of the Washington Office of the FKI (retired in March 2009), Seoul, August 8th, 2009. Interviews conducted with Lee Mi-hyun, the head of multilateral trade cooperation decision in MOFAT, Seoul, August 14th, 2009.

⁹⁰ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, March 4th, 2007.

Chapter Five

more accustomed to avoiding or overcoming international trade barriers by themselves rather than resolving the issues through the government⁹¹. In other words, they try to overcome US trade barriers through company strategy instead of actively demanding solutions to such problems from government.

Although the FTA's supporters were not numerous nor as publicly active as its opponents, groups such as the '*FTA Industry Alliance*'⁹² formed by a group of five leading Korea industry organisations and the '*Right National Movement Headquarters for Korea-US FTA (RNMH)*', a confederacy of FTA, supporting civil groups and social figures formed in 2006, did attempt to organise national awareness campaigns. They spread their viewpoint and criticised the FTA's opponents via publications and the media. Some of their officials give lectures at events hosted by government or economic organisations and they released promotional material for distribution. The RNMH organised street protests, yet its activities were insignificant compared to the activities of their counterparts. Why was this so?

While the above is true for such groups as the RNMH, for other supporters (i.e. liberal reformers) a bird in the hand is worth two in the bush; liberal reformers had a good channels of formal and informal influence relating to the government's negotiation team. Also, many liberal reformers were working in government offices and as advisers for the negotiation team. In particular, the KIEP was the think-tank for the government's FTA policies and the majority of economists were members of the advisory committees run by the government. Therefore, the influence of liberal reformers on the Korea-US FTA negotiation was very direct.

Also, the government put aside a payment structure for those who would be affected by the FTA to help persuade its opponents. The Korean government decided to provide 2.8 trillion Won (\$2.9 billion) in financial support to companies and workers hurt in the fallout of the country's new free trade agreements. The MOCIE publicised on April 10th, 2006, that the government planned to provide 2.6 trillion Won over 10 years to companies that suffered losses from a sudden surge in imports caused by free trade pacts. The remaining 207.3 billion Won would also be allocated over 10 years to

⁹¹ Interview conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, February 28th, 2007; Interviews conducted with Chang Kuk-hyun, former president of the Washington Office of the FKI (retired in March 2009), Seoul, August 8th, 2009.

⁹² It was set up on April 18, 2007 and is composed of the KITA, KCOCI, FKI, KFSMB, and the KEF, comprising 14 industry categories such as finance, law, services and so on (http://www.yesfta.or.kr/committee/info_1.asp).

workers who suffered as a result of the pacts. Manufacturers who had seen their profits or production drop more than 25 percent were also eligible for the funds. The supportive measure, designed jointly with the MOL, was modelled after the US “Trade Adjustment Assistance” program, which began in 1962 and has been considered a success. The MOCIE estimated that 10,700 companies and 100,000 workers would be eligible for the financial support⁹³. This attempt to gain access to PI, however, was not successful.

Opponents

The KoA held a press conference on June 1st, 2006 where they expressed their intent to travel to the US to demonstrate in opposition to the Korea–US FTA, a further instance of the KoA focusing on their main channel of influence; PI. The two countries were scheduled to begin formal talks on an FTA in the US capital from June 5th to 10th. US–based activist groups and lawyers helped the KoA obtain permits to hold rallies at various places in Washington and the group promised that the rallies would be peaceful. The alliance complained the South Korean government was blocking activists from obtaining visas to travel to the US, claiming the government provided the US government with a list of senior members of civic groups⁹⁴. In response, several government ministers issued a written appeal to anti–free trade activists to drop plans to travel to Washington, D.C., Han Duck–soo, the deputy prime minister for economic affairs, and the ministers of agriculture, labour, justice and foreign affairs said that the protesters’ plans would damage Korea’s international image and raise public concern. “[The plans] must be stopped immediately and the civic groups must follow legal steps in presenting their opinions⁹⁵.” The wording suggests government concern that the demonstrations, like many here and those in Hong Kong at the WTO conference in December, would end in violence.

⁹³ The MOCIE’s public Report (11/04/2006).
⁹⁴ Hankyoreh Daily Newspaper (10/06/2006).
⁹⁵ Korean government public statement (19/05/2006).

Korea-US FTA and public discord

Public support for the KoA was virtually guaranteed prior to the beginning of negotiations. The government's failure to act according to the EOCPR was a decisive move in garnering public support for the KoA's position. By mid-May, of the 17 advisory boards that were promised under the PPER, only three had actually been held, one of which was the rubber-stamp meeting held the day prior to the launching of the Korea-US FTA. Also, the unilateral concession on the issue of the 'four preconditions' that were required by the US on behalf of the Korean government was seen as both a weak capitulation and a poor start to negotiations (Lim 2006a: 1). One generally does not concede valuable negotiating points before beginning to negotiate, or so many Koreans thought. When the public is highly aware of an issue, interest groups that are advantaged by conflict expansion, or public awareness, are best suited to achieve their goals through indirect lobbying (Victor 2007: 827). In this regard, the KoA's actions in the US received wide media attention in Korea and were an important step in the process of alerting the public to what exactly the KoA stood against. Once their representatives had returned another debacle ensued. Again, actions promised under the Provisions were denied. The KoA insisted that – under the EOCPR – the Korean public had the right to be informed as to the outcome of the first round of negotiations. Kim Jong-hoon, the chief negotiator, said that such a demand was preposterous and refused to reveal the status of the negotiations, stating "There is no country in the world that would disclose detailed information to the public in the middle of a negotiation." Despite the logic of his argument, the fact remains that this is exactly what was guaranteed by the EOCPR.

The KoA organised a demonstration on July 12th, 2006 in Seoul for the second round of negotiations which were running from June 10th – 14th. More than 100,000 protesters took part in the demonstration. The KoA announced that peaceful rallies would start on the Monday and that the protesters would not resort to violence⁹⁶. The government issued a call to the activist groups to seek a more peaceful method of protesting while warning that strong measures would be taken against any violent displays⁹⁷. Despite the calls for restraint by both the KoA and government, violence acts

⁹⁶ Korea Herald (07/07/2006).

⁹⁷ Chosun Daily Newspaper (05/06/2006).

Chapter Five

were committed sporadically during the protest, with confrontations between the protesters and the police resulting in the shooting of teargas and stone-throwing. An inevitable consequence of such large and occasionally violent demonstrations that the issues surrounding the Korea-US FTA were brought directly into people's living rooms via media coverage.

The third round of negotiations were held in Seattle on September 6th – 9th, 2006. Following the template set down during the first round, the KoA again sent representatives to the US to demonstrate their opposition to the Korea-US FTA. The talks ended without violent protests, although 15 demonstrators, both Korean and American, were arrested on September 9th, after trying to enter the building where the negotiators were working⁹⁸.

Also, a group of 23 Korean lawmakers on September 6th, 2006 filed a suit at Korea's Constitutional Court claiming that the Roh Moo-hyun administration's move to conclude an FTA with the US was unconstitutional due to the fact that it had ignored its own presidential decrees as set down in the EOCPR. This particular incident is important for two reasons, despite its failure to win the suit. Firstly, the suit filed against the government was indicative of the dependence the anti-FTA alliance had on informal channels and secondly, the symbology of the suit was important precisely because it was the only formal channel that was available to the anti-FTA alliance, as the government itself stood behind the Korea-US FTA and was therefore unapproachable. In other words, the KoA lacked the ability to influence political institutions directly and instead used their access to public influence to indirectly apply pressure to these same political institutions and key politicians.

The fourth round of negotiations were held on October 23rd – 27th, 2006. The KoA demonstration was held on October 22nd and was, without doubt, the most violent anti-FTA demonstration to date. 74,000 people from 13 cities nationwide participated. Protesters armed with bamboo sticks, square wooden clubs and stones entered local government offices and police stations, destroying property and setting offices on fire⁹⁹. Outside the building where the final meeting of the fourth round was taking place, one protester attempted to burn himself to death. Public reaction to such a violent demonstration was predictable. While the violent scenes may not have converted many

⁹⁸

Kyunghyang Daily Newspaper (08/09/2006).

⁹⁹

Dong-A Daily Newspaper (23/10/2006).

Chapter Five

who witnessed them to become ardent supporters of the FTA, it certainly did the KoA no favours. There was a noticeable falloff in support for the KoA immediately after the demonstrations of the 22nd October (see Public opinion polls in section of Opposing Rationales). Strategically speaking, it was not the wisest of moves of the KoA to organise demonstrations in 13 cities where control would prove to be difficult, if not impossible.

The sixth round of negotiations were held on January 15th – 19th, 2007. Probably the most important feature of this round of negotiations is the leaked document of the open-door briefing session¹⁰⁰. Reports regarding the ongoing FTA negotiations were sent to 30 members (MPs) of the committee. However one copy was not retrieved and was leaked to two leftwing news organisations, the Hankyoreh newspaper and the online Pressian news service. The leaked documents contained the details of the Korean negotiating position and were presumably leaked to weaken the Korean negotiating team. What can be ascertained, from looking at the facts, is that the document was leaked deliberately. The document was therefore leaked not by those who supported the Korea–US FTA but by its opponents in the NA and describes the level of closeness that the KoA had to certain politicians. This is indicative of the relationship that opponents and supporters had in the NA (on an informal level), that some opponents of the FTA in the NA felt the leaking of such an important document was necessary points to an emotive issue that lacked a middle ground. Demonstrations and debate continued throughout the last two rounds of negotiations. The Korea–US FTA was concluded on April 2nd, 2007.

Ratification phase

Although the negotiation phase was concluded on April 2nd, 2007 and signed on June 30th, 2007, there was, and still is, much work to be done to get the FTA through the NA for ratification. The Korea–US FTA has to pass two basic stages for ratification, first it has to pass a vote in the UFATC. Once this hurdle is cleared, the FTA then has to pass an open vote in the NA itself. Not only does it have to pass these hurdles but there are also indirect obstacles in its path. The Presidential and general elections resulted in

¹⁰⁰

Chosun Daily Newspaper (17/01/2007).

Chapter Five

pushing the issue of FTA ratification onto the back burner. Also, the beef issue played havoc with the ratification phase in the NA. This issue¹⁰¹ dominated proceedings for a while and the agreement's supporters failed in pushing the FTA through the 17th Assembly as a result. While this is a failure on behalf of the supporters, the opponents of the FTA see it very much as a success on their behalf. Thus far, the FTA has not been ratified in the 18th Assembly either. See below for details (candlelight vigils section).

Delays, however, are par for the course. The Korea–Chile FTA was settled in October 2002; however ratification in a plenary session of the NA was not made until February 2004, one year and four months later (see Chapter Three). The agreement was thrown out of a total of three plenary sessions. The reason for such long periods for ratification by the NA is the result of two things; the lack of a 'sell by date', i.e. a legally circumscribed time by which an FTA must be passed once it enters the NA (e.g. similar to the US) and, more importantly, conflicts among different interests in diverse fields including products, services, investments, intellectual property rights, etc. The fact remains that during the presidential and general elections the FTA was politically unclean and no politician in his or her right mind would associate with it during elections. Civic groups, labour unions and the farming sector all issued a political 'fatwah' against any politician who would support the FTA in any way¹⁰². These elections demonstrate the societal approach interpretation that interest groups compete to influence government policy. Within democracies, elected politicians must meet the demands of their own constituencies in pursuing re-election (Bearce 2003: 766).

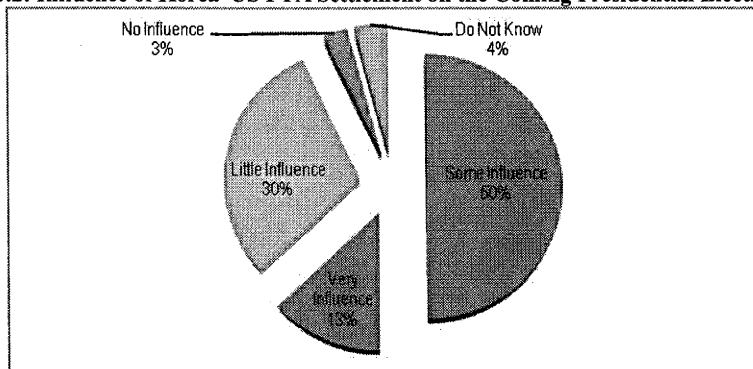
Also, according to Global Research's public survey (Figure 5.2), in relation to the question on how much influence the Korea–US FTA could have on the coming presidential election, 63.4 percent ('very much' 13.1 percent; 'to some extent' 50.3 percent) answered 'it will have influence'; and 33.1 percent ('none' 2.6 percent; 'not much influence' 30.5 percent) answered 'it will have no influence'¹⁰³.

¹⁰¹ On April 18th, 2008, the Korean government agreed to authorise the imports of all beef regardless of the cattle age, except for two specified risk materials-tonsils and distalileum- for the first time in about five years. The public anti-government sentiment centred on US beef imports and triggered street rallies and candlelight vigils across country for more than one month since April 18th. Demonstrations peaked with 300,000 people attending protests on June 10th, 2007.

¹⁰² Interview conducted with Lee Hae-young, one of co-leaders of the KoA, Seoul, February 2nd, 2007.

¹⁰³ Pollee: the general public over 19 of age; Area: Nationwide; Sample size: 1,000(available sample), Sampling method: random sampling; Sampling error: at 95percent Confidence Level, ± 3.1 percent, Poll type: Telephone Survey; Date: April 4, 2007 (1 day); Survey organisation: Global Research Co., Ltd.

Figure 5.2: Influence of Korea-US FTA Settlement on the Coming Presidential Election



In a similar vein, each party and political group have displayed a rather delicate approach in deciding their position regarding the agreement¹⁰⁴. Given this context, a key factor in the ratification process was the position that both major parties – the GNP and the Uri Party¹⁰⁵ – would take towards the FTA. Both parties' leadership were expected to support ratification since they both viewed the FTA in a positive light. However, many agreed that no one could guarantee the ratification because support and opposition among political groups/lawmakers was clearly mixed, in contrast to the unanimous support of both leaderships¹⁰⁶.

The GNP showed stronger support for the FTA than the Uri party; however the 70 members who came from rural constituencies (similar to the Korea-Chile FTA) were a determining factor. These members opposed the FTA since they thought the government did not provide proper countermeasures, side-payments or compensation policies for the agricultural and fisheries industries; therefore they were expected to vote against ratification.

The Pan-ruling party, which included the Uri party, had a more complicated relationship with the FTA than the GNP. Kim Geun-tae, former Chairman leading

¹⁰⁴ 35 percent, 71 lawmakers, agreed to 'ratification within 2007' regarding a point of time for the Korea-US FTA settlement. 57 lawmakers (28 percent) opposed 'ratification within 2007.' 70 lawmakers (34 percent) answered they will decide 'later' after they observe the process. 46 members of the GNP agreed to 'ratification within this year' and 12 opposed. As for the Uri Party, 22 members agreed; 22 opposed; and 22 reserved, which makes exact three equal parts. As for the Unified New Party Group, party defectors, one agreed; six opposed; and seven reserved. As for the DLP, all nine members opposed (Chosun Daily-pro-FTA newspaper, 26/03/2007). However, According to a telephone survey by '(the Voice of People 23/03/2007)', an internet medium (anti-FTA internet newspaper) on the Korea-US FTA conducted on 296 lawmakers, only 59 lawmakers (33 percent) agreed to FTA out of 180 participated in the survey. 43 (23 percent), on the other hand, opposed and 78(44 percent) reserved, showing majority is 'discrete' about the issue (Kyunghyang Daily Newspaper 27/03/ 2007).

¹⁰⁵ The party formed in November 2003 but, it was finally disbandment in August 2007 due to member's political survival for coming general election.

¹⁰⁶ Chosun Daily Newspaper (20/10/2007).

Democratic Peace Union (part of the Pan ruling party) insisted on discontinuing the negotiations by taking the extreme action of fasting, which put the ruling party in an awkward position. Also, a former chairman of the Uri party, Cheong Dong-young, publicly expressed negative views of the Korea-US FTA¹⁰⁷. In addition, 18 members of the Public Welfare Political Group (a group of defectors from the Uri party) led by the DLP and a lawmaker, Cheong Jeong-bae, openly opposed the FTA; the DLP, which had many members from the farming sector, also displayed a strongly negative bias by stating that the FTA was a hasty negotiation. Merely taking the MPs mentioned here, over 100 members would 'definitely' oppose the FTA with the US. Following these figures, the Korea-US FTA was to arguably be the most difficult ratification process to date.

Korean presidential elections and support for the FTA

Although neither President Roh Moo-hyun nor President-elect Lee Myung-bak actually dealt with the issue of the FTA during the election cycle, once it was determined who had won, both felt comfortable in supporting the FTA, having obfuscated their affection for it during the election¹⁰⁸. Both men met on December 29th, 2007 – ten days after the election – to discuss the issue of the Korea-US FTA. The symbolism of this meeting, at least in hindsight, is quite strong; the changing of the guard meant little for government policy towards the FTA. They both agreed to cooperate closely for parliamentary ratification of the FTA while Lee praised Roh for concluding an FTA with the US and vowed to persuade lawmakers of the GNP to ratify the deal before the expiry of Roh's term (in late February)¹⁰⁹ or the expiry of the 17th session of the NA. The government submitted the Korea-US FTA bill to the UFATC, on February 11th, 2007. The eight members of The LDP led by Kang Gi-gap managed to block it initially but it was finally submitted on February 13th, 2007. On February 19th, 2007 the Korean Chamber of Commerce (the Korcham) visited the NA and met with Kim Won-whong, the chairman of the UFATC, and delivered a document (containing

¹⁰⁷ Hankyoreh Daily Newspaper (08/09/2007).

¹⁰⁸ There were no FTA issues during the Presidential election and the general election, it was not raised as an issue during the election campaigns.

¹⁰⁹ Korea Herald (30/12/2007).

Chapter Five

100,000 signatures), urging them to ratify the Korea–US FTA¹¹⁰, an obvious and legitimate attempt to access IPI.

However, the pending general election ensured that any discussion of the Korea–US FTA was kept from public view behind tightly closed doors. Once the general elections were held (April 8th, 2008), those doors were swung open with vehemence by the ruling party.

Mad cows and FTAs

President Lee and the ruling GNP tried to ratify the Korea–US FTA bill in the final extra parliamentary session of 17th NA, May 30th, 2008. What looked to the GNP as a case of a “slam dunk” proposal was to prove anything but. All the GNP needed was 160 votes and the GNP guaranteed 90, the old Uri party (now the United Democratic Party (UDP) guaranteed at least 80. President Lee and his party were confident that the UDP party would vote in favour of the FTA due to the role that their former leader and president had in initiating and supporting it. However what President Lee and the GNP failed to take into consideration was the effect the issue of the 'four preconditions' would have on proceedings and the role politics would play. Or more specifically, the role of beef and politics. The UDP party voted against the FTA, the opposition switching role from supporter to opponent, a new outlook to match their new position as an opposition party. This section examines in closer detail the role beef was to play in the unfolding drama surrounding the Korea–US FTA.

Korea started importing U.S beef in the 1970s, but banned all shipments in December 2003 after Bovine Spongiform Encephalopathy (BSE or mad cow disease) was discovered in a Canadian-born cow in the U.S state of Washington. Korea resumed imports in April 2007, but that same month suspended further imports after illegal cuts (vertebrae) were found in a shipment¹¹¹. Following the 2006 mid-term elections in the US, the Democrats held sway over the Congress. A key supporting group of the Democrats is the beef industry and their voice was soon heard in the NA. The US Congress, since the mid-term elections, had consistently demanded complete open

¹¹⁰ http://www.korcham.net/EconNews/KcciReport/CRE01102R.asp?m_DataID=20080219032&m_CciID=A001.

¹¹¹ Dong-A Daily Newspaper (15/04/2007).

Chapter Five

access to the Korean beef market as a precondition to ratification of the Korea–US FTA, one of the ‘four preconditions’. President Lee, in order to fulfill his promise of ratifying the FTA, was going to acquiesce to the US government’s demands. And it was this specific demand, the Korea open its market to US beef as a precondition to the US engaging in an FTA with Korea, that was to cause major headaches for the Korean supporters of the Korea-US FTA.

Brief outline of Candlelight Vigils

Meanwhile, US negotiators were pressing hard on their Korean counterparts to tear down almost all barriers to beef imports. The main weapon in their arsenal was a recommendation of the World Organisation for Animal Health (or OIE) which allows, in principle, beef exports without restrictions on age and parts for countries that control the risks of mad cow disease. In May 2007, the world body in charge of assessing meat safety unanimously concluded that American beef and beef products from cattle of all ages could be safely traded. It has also stated that American testing methods were credible. The OIE reports were the basis for the reopening of the beef trade, a process that began with the Roh administration. Subsequently, in April 2008, South Korea reached a deal to import U.S. beef from cattle of all ages as part of the ‘four preconditions’, ahead of their bilateral summit in Washington. However, who could have predicted that opening the Korean market to U.S. beef would have sparked what were some of the largest protests in Korea’s recent political history?

At first, public opinion was not that negative. But the public mood deteriorated drastically within a very short time-frame. This change was largely fuelled by critical internet reports on the harmful effects of US beef on health and an April 28th broadcast of the Munhwa Broadcasting Company (MBC) news magazine program ‘PD Notebook’ that aired a highly negative report on the safety of U.S. cattle.

On 2nd May 2008, citizens, including young students who feared that their favorite idol singers might die from the human form of BSE, held their first rally at Cheonggye Plaza in central Seoul that had, ironically enough, been created by President Lee Myung-bak when he served as Seoul mayor. The protests spread nationwide amid escalating violence, resulting in a virtual state of anarchy in parts of Seoul.

It is difficult to deny that candlelight vigils in 2008 began as a spontaneous

Chapter Five

movement protesting what many who attended those vigils felt was the government's poor and premature negotiations with the US, indifference to people's rights to health and poor absorption of public opinion in the implementation of policies. Meanwhile, on 22nd May 2008, President Lee publically apologised for his administration's hasty decision.

Supporters

However, President Lee also argued that the public had been grossly misinformed regarding the beef issue and emphasized that the beef issue and the Korea-US FTA were not connected. Furthermore, he requested ratification of the Korea-US FTA.

This was not the only move on the part of the government to persuade the public that passing the FTA was the proper thing to do. Kang Man-su, the Minister of Finance (MOF) insisted that if the Korea-US FTA was delayed a year, the lost economic benefits for Korea could be as much as 15 trillion Won (\$15 billion), citing the estimation of the Korea Chamber of Commerce and Industry. These were not the only efforts made¹¹². The Korean government, the GNP and conservative newspapers argued that the beef accord was a completely separate issue from the ratification of the Korea-US FTA.

This added fuel to the conflagration that was spreading across Korea. Many who took part in the vigils considered the claim that there was no connection between the FTA and the importation of US beef as thoroughly disingenuous. By 28th May 2008, the main opposition party UDP were obviously aware of the amount of public dissatisfaction and joined the Organisation of Korea's Anti-Mad Cow (OKAC). On 10th June 2008, massive demonstrations occurred across Korea, more than a million people took part in nationwide candlelight vigils in several cities.

¹¹² President Lee Myung-bak met NA's Speaker Lim Chae-jung and opposition (UDP) leader Sohn Hak-kyu to ask for their cooperation with the ratification of the Korea-US FTA. The UDP controls 136 seats while the GNP holds 111, far short of the necessary majority to pass a bill in the current 291 member NA. Lee Yoon-ho, Minister of Knowledge Economy (MOKE) also called on the NA to ratify the Korea-US FTA within 17th Assembly ends its four year term May 29th, 2008. However, the prospect was murky with the opposing parties opposing the bill and Korea-US FTA sparking a public and civic groups' outrage over the government's agreement to resume imports of US beef (April 18th, 2008) which the Korean government allowed imports of American beef of all ages and cuts into Korea, triggering massive public protest and opposition.

Chapter Five

Finally, Korea lifted a ban on U.S. beef imports on June 26 after the US agreed, on 21st June, not to export beef from cattle older than 30 months to Korea.

One would argue that views on the vigils are poles apart depending upon ideological outlook (Ha 2008)¹¹³. For example, many on the progressive end of the spectrum saw it as a lightening rod issue that brought to 'light' the darkness of the conservative government, linking the protests to the 1987 pro-democracy movement that enacted a de facto democratic system in Korea¹¹⁴. Additionally, participants in the candlelit vigils were not only protesting the importation U.S. beef, they were also protesting against President Lee's general economic and social policies.

On the other side of the political spectrum, while many conservatives admitted to the spontaneity of the vigils during the early stages of the protests, they claimed that some left-leaning media outlets, including broadcasters and Web portals, made incorrect, inflammatory and irresponsible reports on the health risks of US beef, which, at least in part, caused many to take to the streets in protest. As anti-US progressives took the initiative, the protests were spoiled amid escalating violence and those who had been dissatisfied with the outcome of the presidential election in December 2007 also joined in.

On 13th June, 2008 thousands of people rallied in defense of President Lee and his beef import deal, with participants criticising major media companies for their alleged unfair reporting of the beef issue. Some 8,000 people representing several conservative groups gathered at the Seoul Metro Station Friday afternoon and some participants later marched to major media broadcasters' headquarters to protest their news coverage, according to the *Hankook Ilbo* on 14th June, 2008. Groups represented at the rally included Vietnam veterans associations, with hundreds of Korean veterans attending the event in uniform. There were also participants from a number of religious associations as well as members from the conservative-leaning 'Free Citizens' Alliance of Korea' (FCAK) and 'Committee against Kim Jong-il and Nuclear Proliferation.' The protesters took issue with the country's television broadcast companies -the publicly funded Korean Broadcast System (KBS) and the MBC- and the way they had been portraying the beef import issue and the danger of mad cow disease. The groups

¹¹³ 'Protest Draws Contrast to Candlelight Vigils,' (Korea Times 06/15/2008), http://www.koreatimes.co.kr/www/news/nation/2008/06/113_25913.html.

¹¹⁴ Korea Herald (10/06/2008).

Chapter Five

claimed that both KBS and MBC were involved in biased reporting and in inflating and exaggerating the issue associated with US beef. They insisted that KBS and MBC had been unfairly targeting President Lee and his administration. These protesters were particularly upset at MBC TV's popular news magazine program 'PD Notebook' which, they claimed, exaggerated the dangers associated with US cattle.

Opponents

However, regardless of validity or veracity of either argument, this incident provided a perfect opportunity for those who had opposed a Korea-US FTA. It began with the PD Notebook programme that did an 'exposé' on the potential health effects of US beef on 28th April. This programme was aired by MBC, a broadcasting channel known for its left leaning views. Within 36 hours, a major public gathering protesting the importation of US beef was witnessed in Seoul. Several figures involved in organising this protest were also members of the KoA. Does this mean there was organisational planning between the KoA and these vigils from the very beginning? Probably not, but what can be said is that within a very short time, the KoA was directly involved. On 8th May 2008, 1700 civic groups and internet-based communities mobilised into one big umbrella organisation called 'Organisation of Korea's Anti-Mad Cow' (OKAC). Although the OKAC may have been a larger umbrella group, these organisations were virtually the same ones that constituted the KoA.

On 9th May, in Seoul, 30,000 people participated in a candlelight vigil which was the largest protest since President Lee's administration announced it would begin importing US beef under more lax regulations. For the most part, these vigils were organised using internet blog sites and personal contacts between familiar civic groups that had plenty of experience protesting the Korea-US FTA over the previous two years. The KoA, under a new acronym, the OKAC, mobilising massive organisational power garnered from the politicisation of the beef issue and collating it with the issue of the Korea-US FTA, were able to exert heavy influence through PI (primary channel) on President Lee's administration. Understandably, the amount of nationwide, massive and ongoing demonstrations produced an enormous amount of PI pressure. This influence was so wide-ranging that it crossed over into IPI (secondary channel). This influence

Chapter Five

accessed IPI through both political veto players, namely the President and the NA. Neither was willing to face down such massive public opposition. To do so would surely spell political suicide. Furthermore, to say that the KoA accessed PPPM would be incorrect; rather the huge demonstrations countered any move the FTA's supporters could exert through their use of PPPM. So much so, in fact that the Korea-US still has not passed, despite the government both favouring the FTA and holding a majority in NA.

Opposition parties (the UDP, the DLP and the Liberty Forward Party (LFP)), and civic groups immediately issued statements calling for the cancelation of the beef deal, which they said threatened public health. "The beef agreement is tantamount to giving up the human right to health," said the left-wing DLP. The Hanwoo Association, a lobbying group for the Korean beef industry, also called the agreement "insulting", saying that the Korean government had made too many concessions¹¹⁵.

The beef agreement was the perfect instrument for those who opposed the FTA. Considering the public support for the issues raised by the FTA's opponents, the opposition was not going to look a political gift horse in the mouth. The political opposition in the NA were quick to denounce the government's plans to ratify the FTA and did not hesitate to vote against it¹¹⁶. Subsequently the ratification was blocked. While this does not rule out ratification in the 19th session of the NA, the situation in the US does not look as sanguine as it did several months ago. The US president elect has intimated his less than positive view on the Korea-US FTA. Then Senator Barack Obama called on President George W. Bush on May 22nd, 2008 not to submit the bilateral FTA for a congressional vote. Obama's attempt against the FTA cast a dark cloud over the parliamentary approval for the bilateral free trade accord not only in Korea but also in the US. Considering the tight political timetable ahead of the November presidential poll in the US, analysts cautiously predicted that the ratification of the FTA might be delayed until after the election. Obama called the Korea-US FTA '*badly flawed*' in a letter sent to President Bush, resorting to his party's protectionist trade policy. It is apparent that the letter reflected US automakers' dissatisfaction with the FTA. Senator Obama argued that the agreement, particularly the provisions on automobiles, gives Korean exports 'essentially unfettered access to the US market.'

¹¹⁵

Hankyoreh Daily Newspaper (25/04/2008).

¹¹⁶

Kyunghyang Daily Newspaper (02/05/2008).

Chapter Five

The beef issue embodies and typifies the three key structures of channels of influence. Supporters of an FTA with the US, through PPPM and IPI, managed to convince the US Congress to sign up to an FTA bill with Korea in return for the re-opening of the Korean market to US beef. However, they failed to take into account the levels of opposition that this would encounter in Korea. Upon finding out the particulars of the deal, the KoA mobilised massive organisational power, managed to collate the two issues (FTA and US beef importation) and garnered huge public support and influence for their position. This had the result of influencing the NA (a key political institution and veto player) to such an extent that despite the governing party's majority, they could not get the FTA introduced to the NA for ratification.

Korean domestic stakeholders will probably have the last word on the Korea-US FTA. Having dealt with previous FTAs, the organisations that fall under the current KoA umbrella group had the knowledge to deal some serious body blows to the agreement with the US and although they are not likely to knock it out, their impact on the outcome is undeniable. It is to this impact we turn to next.

On 18th December 2008, while the largest opposition DP lawmakers and their aides used hammers and electric saws to break the door of the foreign affairs committee's conference room in an attempt to stop the unilateral move, in a closed-door meeting, Chairman Park Jin of COFAT and the GNP lawmakers made a quick decision to submit the motion to a subcommittee for deliberation. Once deliberation was completed, COFAT voted on the motion before a vote in the plenary session. The governing party passed the motion as the committee is consisted of 27 lawmakers and 17 of them are GNP lawmakers,

On 11th February 2009, The COFAT failed to review the ratification bill for the Korea-US FTA due to strong opposition from the progressive DLP. The COFAT planned to put the bill as the main item on its agenda in its plenary session but acting DLP Chairman Chun Young-se and seven other lawmakers prevented the meeting from taking place. They physically locked the conference room so the committee's chairman could not enter even though the two largest parties, the GNP and DP, had agreed to review the bill a week prior.

On 22nd April 2009, Korea's parliamentary committee (COFAT) finally passed a bill to ratify the government's FTA with the US, sending it to a plenary session for

Chapter Five

final approval in NA. The endorsement by the COFAT came amid protests from opposition lawmakers who claimed that the move was premature. Opposition parties called the passage “procedurally flawed” as Chairman Jin refused to allow them to have a full discussion during the committee session. Actually, the bill was nearly derailed as a group of 44 lawmakers from three opposition parties tried to block its passage. The lawmakers, including Kang Ki-kab of the DLP, called on GNP leaders to come up with an effective structural adjustment program for farmers and other potential losers’ if the bilateral trade pact goes into effect, before ratification.

Currently, the bill has been waiting for voting in NA. The GNP has 170 seats in the 299-member legislature, while the DP has 83.

Evaluation of the Impact the Domestic Stakeholders' Influences on the FTA

Although the Korea–US FTA was not unusual in the method of its birth, it was the manner of its inception and its gestation period that were to raise eyebrows. As per usual, the agreement's supporters were the dominant force during the agenda–setting phase. However, it was how it was transformed from an FKI concept – meant to repair bridges with a jilted MOFAT – into an obsession for the government with such rapidity that was to cause consternation, at least in hindsight. The negotiation phase was begun rather hastily, but once it had begun, the opposition groups coalesced equally quickly and immediately threw up some stern resistance to what the government was hoping would be a *fait accompli*¹¹⁷. The Final Agreement Paper of June 30th, 2007 signalled the beginning of a ratification phase that was – in the long term – to prove almost as ornery as the negotiation phase.

The role that domestic stakeholders played in shaping the Korea–US FTA is unmistakeable, their footprints are to be found all over it. The agenda–setting phase is not unusual in this circumstance and, therefore, the section dealing with this phase shall be appropriately brief. The negotiation phase, on the other hand, is a section that shall deal with several specific issues which reflect the pressure applied by the KoA on the Korean government and its negotiation team. This thesis will then continue with a look at how the FTA – during the ratification phase – has again come under pressure.

Agenda–setting phase

To say that the Korea–US FTA agenda–setting phase was short would be an understatement of considerable proportions. The FKI led coalition approached the then trade minister through PPPM on March 2005¹¹⁸, with the idea of an FTA with the US, in part to atone for their subterfuge during the Korea–Japan FTA that left that particular FTA in the intensive care unit. The trade minister was smitten and did not lose any time

¹¹⁷ Interview conducted with Lee Hae-young, a co-leader of the KoA, Seoul, February 2nd, 2007.

¹¹⁸ Interviews conducted with Huh Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, October 16th, 2006 and March 5th, 2007; Interviews conducted with Lee Mi-hyun, the head of multilateral trade cooperation decision in MOFAT, Seoul, August 14th, 2009.

Chapter Five

in converting the president, who in turn was to give his trade minister the green light. What surprised many was the suddenness of the announcement of negotiations.

Similar to the Korea-Chile FTA, the agenda setting phase saw the FKI and MOFAT depending on IPI and PPPM (primary and secondary respectively). The simple reason no PI was used was because there was no need as both the FKI and MOFAT were in support of the agreement any potential opponents were unaware of what was happening regarding any Korea-US FTA due to their reliance on the PPFR protocols. In other words, the PPFR stated that public hearings would be necessary before any further FTAs were launched and due to the lack of any hearings, potential opponents were, for all intents and purposes, kept in the dark. Again, given the FKI's high OP, their access to IPI meant that they would have a close working relationship with government institutions, which was strongly in evidence with their close cooperation with MOFAT during this phase, while their access to PPPM meant that they had good working relations with several key bureaucrats and politicians.

While the agenda-setting phase during both the Korea-Chile/Japan FTAs were similarly dominated by supporters, opponents had advance warning and were able to prepare themselves for the negotiation phase. The stealth by which this phase was completed sent shivers down the spines of many who would stand opposed to this FTA.

Negotiation phase

Negotiations began with something akin to a cosmological big bang, before it there was nothing, or so it seemed. However, as King Lear stated, "Nothing comes from nothing." This magic trick was all illusion; the government had – as has been described earlier – begun setting the agenda behind closed doors. The unveiling of negotiations along with a simultaneous surrendering on the 'four preconditions' was enough to stoke the ire of oppositionists and fan the flames of anti-FTA sentiment throughout Korea. The eight rounds of negotiations – particularly those held in Korea – were demonstrated against staunchly. The ebb and flow of the struggle in the public sphere tended – on the whole – to support the oppositionists¹¹⁹ and finally, following the end of the eighth

¹¹⁹

Three Public Opinion Polls (KoA on March 22nd, 2007, Korean Gallup on April 4th, 2007 and Korean Research on April 4th, 2007) showed that opposition (46.8, 51.2 and 48.7 percent respectively), Support (44.5, 42.2

Chapter Five

round of negotiations and the two high level meetings that occurred shortly afterwards, a Final Agreement Paper (FAP) was published June 30th, 2007. Up to and including the eighth round, probably 80 percent¹²⁰ or more of the issues had been dealt with but it is the remaining fraction of deal breakers that invariably chart the course of an FTA either through the reefs failure or directly onto them. It is to this FAP that we shall turn to evaluate the impact of the domestic stakeholders.

The FAP dealt with twenty-one specific issues related to the Korea-US FTA¹²¹. Although the FAP itself represents the points of view of both countries and their respective compromises, the issue at stake for this thesis is the relationship that exists *not* between Korea and the US but the relationship between Korea and its respective domestic stakeholders. While it may seem initially vague, these relationships can be teased out of the document with surprising ease and is probably best exemplified by the juxtaposition of the issues where government and domestic stakeholders clashed and the results of which are contained in the positions the Korean government took.

Out of the twenty-one issues that were dealt with in the FAP, roughly half were partially resolved before high-level meetings took place in March 19th – 21st, 2007, the remaining ten issues are of particular importance to this thesis due to the intransigence involved in their resolution. Of these ten issues (see Table 5.5), we shall focus on the negotiation process in relation to six specific issues. The first three (agricultural goods, automobiles and medicine) were issues which the US demanded that Korea alter its initial position. The last three items (trade remedy, the Investors-State Dispute (ISD) and textiles) were issues on which Korea demanded a US compromise.

and 35.0 percent respectively).

¹²⁰ JoongAng Daily Newspaper (01/07/2007).

¹²¹ MOFAT website, <http://www.fta.go.kr/user/index.asp>.

Chapter Five

Table 5.5: Korea–US FTA Settlement Summary

| Korea | Issues (until 8 th meeting) | US | Final Settlement |
|---|--|--|---|
| Excluding opening sensitive items such as rice and beef. | Agricultural good | Early tariff removal without exception. | Excluding rice; 50 percent seasonal tariff on oranges during the harvest, between September and February, and 30 percent tariff during the rest period ¹²² ; beef tariff removing period agreed to 15 years; 3-year safeguard available ¹²³ . |
| Early removal of US automobile tariff. | Automobile | Automobile taxation reform; more control on place of origin; change of environment standard policy. | Tariff (2.5 percent) removal for automobiles of 3000cc displacement or more within 3 years; immediate removal for automobiles of 3000cc displacement or less; removal within 10 years for pickup trucks (25 percent) ¹²⁴ . |
| Opening US coastal fishery; easing foreign share limit for air travel businesses. | Service | Increasing foreign share limit of domestic telecommunication businesses; allowing dubbing format in broadcasting including CNN; increasing foreign movie quotas. | Broadcasting/telecommunication fusion service, online contents (internet VOD) and Screen quota remain undecided (allowed lowering the level of opening in the future); no Korean dubbing for retransmitted foreign broadcasting including CNN. |
| Introducing temporary safeguard when financial crisis. | Finance | Opposing introducing temporary safeguard. | US accepted, for the first time in FTA with other country, introduction of foreign exchange safeguard. |
| Excluding taxation and real estate policies from ISD system. | Investment | Reforming domestic regulations on foreign investors. | Korea accepted 'Indirectly (not an acceptance but a government policy with the same effect as that of an acceptance)' ISD system and excluded real estate price stabilisation policy from application of the system; general taxation was excluded from 'acceptance' ¹²⁵ . |
| Easing anti-dumping duty system. | Trade Remedy | No reform is unacceptable. | Anti-dumping duty-related major requests ¹²⁶ were not accepted; only minor requests that would need no change of US law including establishing trade remedy committee and notice prior to starting dumping investigation were accepted. |
| Accepting Special exception on Outward processing of Gaeseong Industrial Complex. | Place of Origin | Applying FTA only within the territory of Korea and US. | Failed to introduce 'Outward Processing Arrangement (OPA)'; instead, 'Korean Peninsula Outward Processing Regional Committee' was established, which was helpful for nuclear-free in Korean Peninsula; if several conditions including human rights in North Korea are improved, it will set a basis for 'OPA.' |
| Tariff removal and easing the standard for place of origin. | Textile | Prevention for roundabout export. | Tariff (13 percent) removal for US textiles within 5–10 years; 85 items that Korea initially requested for Yarn Forward (standard for place of origin based on original thread) application were reduced to 5 items including linen, lyocell, rayon, women's jackets and men's shirts ¹²⁷ . |
| Respecting Korea's healthcare and medical system. | Medicine | Minimum price guarantee for new drugs; establishing independent objector organisation when deciding drug price. | US withdrew the requests for A–7 Pricing (average drug price in 7 countries including US, UK and Japan) based minimum price guarantee for innovative new drugs. |
| Maintaining current regulation of 50-year copyright; no non-violation complaints for intellectual property right. | Intellectual Property Right | Copyright extension to 70 years; no non-violation complaints for intellectual property right. | US request for extension to 70 years was accepted. It will have 3-year grace period after the agreement is in effect; Non-violation Complaint for intellectual property right was undecided until WTO's decision ¹²⁸ . |

¹²²

This tariff will be removed over the course of seven years. Oranges are protected by TRQ.

¹²³

According to the decision of the Office International des Epizooties (OIE) on the safety level of the US beef in May 2007, both countries agreed to ease current import sanitation condition.

¹²⁴

In addition, tires were classified for five years and auto parts for immediate removal. Korea decided to immediately remove automobile tariff (8 percent). The US requests for unification of special excise tax according to displacement to 5 percent within 3 years after the agreement is in effect and introducing of fast dispute settling procedure and environment certification according to the standard of California State, were accepted; however tax on automobiles based on displacement and public debt remain unchanged.

¹²⁵

Korea's suggestion on resolving acceptance dispute with domestic remedy procedure instead of international dispute procedure was never realised; Korea's current regulations remain but foreign share limit (15 percent) of indirect investment shall be removed within 2 years after the agreement is in effect.

¹²⁶

Korea expects to secure No Zeroing, Applying Lesser Duty Rule and Non-accumulation.

¹²⁷

Korea, instead, had to suggest systematic measure to prevent Chinese textile products disguised as Korean from exporting to US.

¹²⁸

Current WTO regulations do not support Non-violation Complaint for intellectual property right.

Chapter Five

i. *Agricultural Goods – Opponents’ Influence*

Strong opposition from groups supporting Korean agriculture was well reflected in the government’s negotiating position. The US, from the beginning, pressured the Korean negotiation team to accept tariff elimination with no exceptions¹²⁹; however the Korean government withstood the pressure. Bae Jong-ha, the director of the International Agriculture Bureau in MOAF, declared that “the rice market would not be opened under any circumstances and that should the US continue then the Korean government would have no choice but to cancel further FTA negotiations¹³⁰,” immediately after the fifth round of negotiations. Rice and beef were highly contentious items for the Korean government and its negotiation team due to the amount of PI and PPPM applied by the KoA¹³¹. In the case of beef, besides the issue of a 40 percent tariff that was in place, the more pressing issue from the perspective of the US was the ban that Korea had placed on US beef since 2003. A resumption of the importation of selected cuts of beef lasted barely weeks when illegal cuts were found and the ban was reinforced. Recent demonstrations (as of April, 2008) have only bolstered the fact that the beef issue, for many Koreans, is an extremely sensitive topic.

Demonstrations against the importation of US beef in Seoul saw 30,000 people on the streets on April 25th, 2008, point to this fact. Further demonstrations threw a spanner in the works of supporters (in the shape of PI and indirect influence over political institutions) and the 17th extraordinary session of the NA failed to ratify the FTA. The Korean government was even more intransigent on the issue of rice. While beef has been a major issue, no Korean government has been willing consider publicly the possibility of opening the rice market as such a move would be tantamount to political suicide.

According to the final agreement paper, 585 items (38 percent) out of 1,531 were lined up for immediate tariff removal. Rice, beef, orange and corns, in which the US was interested, were excluded. A surer sign that domestic stakeholders had influence over the outcome of the Korea–US FTA would be harder to find.

¹²⁹ US-Chamber Calls for Comprehensive (2006), ‘*Viable US-Korea Free Trade Agreement*,’ <http://www.uschamber.com/press/releases/2006/february/06-13.htm>; USTR (2006) ‘*FTA: US and Republic of Korea Opportunities for Agriculture*,’ Trade Facts, February.

¹³⁰ Hankyoreh Daily Newspaper (09/10/2006).

¹³¹ Interview conducted with Lee Hae-young, one of the co-leaders of the KoA, Seoul, February 2nd, 2007.

ii. *Automobiles: passive support*

Korean and US automobile import tariffs were eight percent and two and half percent respectively. While Korea urged the removal of the 2.5percent tariff, the US focused on Korea's NTBs, notably the automobile taxation system. The final agreement was that the US would concede on tariff removal for automobiles of 3000cc displacement or more within 3 years; immediate removal for automobiles of 3000cc displacement or less; removal within 10 years for pickup trucks (25 percent), while the Korean government conceded to the immediate removal of the 8 percent tariff and to reform the automobile taxation system¹³². Interestingly, the Korean automobile industries had also requested a reform of the Korean automobile taxation system (Choi 2006: 274–299; Hong and Cheong 2006: 120).

There were two interpretations of how the FTA would impact on the Korean automobile industry. The first of these is present in Figure 5.3, where many specialists who were surveyed and asked which industry they thought would benefit most from a Korea–US FTA. 44 percent said that the automobile industry would benefit most. According to MOCIE, Korean car industries would have more price competitiveness and the overall prices of Korean medium–size cars would drop by around \$667 (average car price \$27,335)¹³³. In a similar vein, KOTRA stated that 83 percent of the major US buyers of auto parts showed a very positive attitude towards purchasing Korean auto parts¹³⁴. The Korean automobile industry, while agreeing with the overall thrust of these arguments, was not as sanguine about the specific benefits. In fact, the industry believed the FTA to be of little real worth. This interpretation was derived primarily from currency exchange rates and the future price of oil¹³⁵. The KAMA which included Hyundai, Kia, Samsung and Daewoo and the Korea Auto Industries Cooperation and Association (KAICA) were supportive of the Korea–US FTA in general but their level of active support was – as a result of these poor indicators of potential benefit – barely evident. Because of the distributional consequences, the KAMA lacked sufficient motivation to aggressively push for or against the government's initiative. Notably,

¹³² Once the FTA was to come into effect, the capacity of 1,000cc cars would be exempt from tax, over 2000cc cars taxed 8 percent, after three years later, 5 percent down. The automobile taxation system based on engine capacity would be changed from five to three stages.

¹³³ MOCIE (2006) '*Korea-US FTA, the benefits of Korea's automobile industries*,' Issue Paper, No. 123, July 18th.

¹³⁴ KOTRA (2007) '*Korea-US FTA and benefits of Korea SMEs in Korea*,' Issue Report, November 11th.

¹³⁵ Interview conducted with You Jong-sun, one of the managing directors of KAMA, Seoul, March 20th, 2007.

Chapter Five

Hyundai¹³⁶ and Kia, with production facilities in the US, faced a further reduction in potential benefits.

Given these circumstances, acceptance of the US proposals was almost inevitable. Considering the position that the Korean government was going to have to adopt on other, more sensitive issues, some thought the acceptance of the US proposals might also help in developing capital for barter at another date (Na *et al.*, 2006: 142).

In addition, speaking generally one considers that lowering the US tariff from 25 percent to zero (for 10 years) would bring obvious and concrete benefits to Korean Car makers. However, in May 2008 Dr. Kim Dong-jin, Vice-Chairman and CEO of Hyundai said¹³⁷:

“due to oil prices and a declining market we don't think right now is the right time to introduce one [ie pick-up truck] to the market. We investigated this when we built the Kia Georgia plant...but in this environment we were forced to give up thoughts of the truck...neither Hyundai nor Kia will produce one...for the U.S. We had interests in the pickup truck market and light truck market, originally, the truck was to be built at Kia's soon-to-be-completed \$1.2 billion assembly plant in West Point, Georgia, on the same line as the Sorento and a to-be-determined third vehicle. The new factory could have the capacity to produce 300,000 cars and trucks annually. In the US, Kia would avoid the 25 percent federal import tax (also known as 'Chicken Tax') levied on pick-up trucks built overseas, though that tariff is being phased out between now and 2017 through an FTA between US and Korea.”

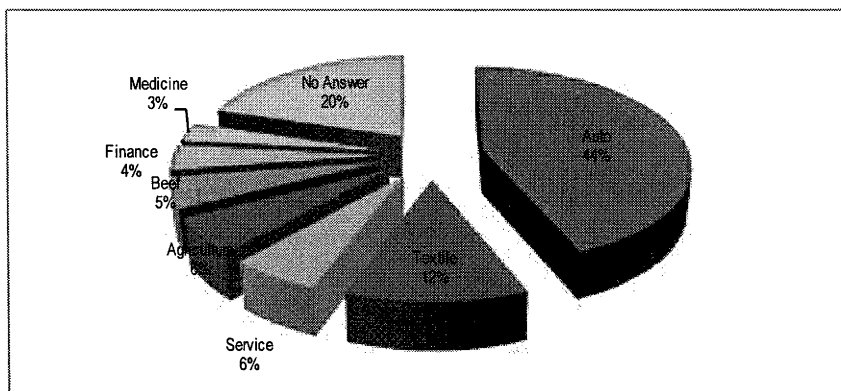
In other words, high fuel prices were rocking big truck sales, forcing some buyers to look for more fuel efficient pick-ups. Will American buyers want an unproven Korean truck, especially a uni-body ? Honda only sold 42,795 Ridgelines last year, down 15 percent from 2006. And tertiary truck brands like Isuzu (which is leaving the American market) and Mitsubishi have only sold in the low thousands¹³⁸.

¹³⁶ In 1990, Hyundai established the Hyundai Design Centre in Fountain Valley, California. The centre moved to a new \$30 million facility in Irvine, California in 2003, and was renamed the Hyundai Kia Design and Technical Centre. The facility also housed Hyundai America Technical Centre, Inc., (HATCI, established in 1986). The centre also has employees in California and Alabama. Hyundai completed an assembly plant just outside Montgomery, Alabama in 2004. It is Hyundai's second attempt at producing cars in North America.

¹³⁷ http://en.wikipedia.org/wiki/Hyundai_Motor_Company#Hyundai_in_the_United_States.

¹³⁸ The Birmingham News (09/05/2008); Automotive News (17/03/2008).
<http://www.pickuptrucks.com/html/news/kia/kia-preps-for-us-pickup.html>.

Figure 5.3: Possible Korean industries that stand to benefit from a Korea–US FTA



iii. **Medicine** (*Medical Organisations and Opening Medicine Market*) – *Opponent's Influence*

The field of pharmaceuticals and health care was a bone of contention for both groups of negotiators. The US urged that the Korean government not reform the Drug Price Reasonably–Priced Plan (DPRP). The DPRP was an extremely sensitive piece of legislation to the Korea Pharmaceutical Manufacturers Association (KPMA)¹³⁹. The DPRP guaranteed that pharmaceutical drugs would be reasonably priced and, therefore, was understandably very much a sensitive issue for the KoA as well (Song 2006: 224). The US asked for the removal of insurance price limits for new drugs and to strengthen patent right protection. The Korean government initially promised to hold off on reforming the DPRP, one of four preconditions.

Contrary to this promise and despite US opposition, the Ministry of Health and Welfare (MOHAW)¹⁴⁰ decided immediately after the fifth round of negotiations to reform the DPRP starting on December 29th, 2006 after the KPMA strongly complained, via PPPM and IPI, about the US position¹⁴¹. Korean government however enforced the policy as planned since pharmaceutical related negotiations had not made any progress during the fifth round of negotiations. The US government expressed disappointment at the decision.

Chun Man-bok, director of the Korea–US FTA at the MOHAW explained that

¹³⁹ Hankyoreh Daily Newspaper (04/11/2006).

¹⁴⁰ The MOHAW, 'Enforcement of Health Insurance Drug Price Rationalisation,' www.mohw.go.kr (27/12/2006).

¹⁴¹ The KPMA and KoA successfully persuaded the general public who was concerned about overall all drug prices due to the Korea-US FTA. The KPMA issued a public statement on December 28th, 2006 which was critical in drawing the public's awareness.

Chapter Five

the US initially requested cancellation of the DPRP¹⁴². According to him, cancellation would include the guarantee of a set lowest price for new drugs; interlocking of drug price with price increase; opposing price reduction of medicine with expired patents; a delay of drug economical efficiency evaluations; and separation of wage estimate and drug pricing. Director Chun said, since the first round of negotiations, the US has requested removal of the DPRP; the US even discontinued the second round negotiation after learning that Korean government announced the DPRP on July 25th, 2006.

The KPMA was concerned about the extended influence of the Korea–US FTA for the following two reasons. First, they opposed the manner of drug pricing laid out in the Korea–US FTA (KoA 2006c: 292–295). The US government, at the urging of the drug manufacturing industry in the US, requested that the Korean government remove insurance price limit for new drugs and to strengthen patent right protection. Second, medical groups opposed the opening of a private medical insurance market. This was being negotiated in the services division, rather than in medicine division; the KoA was deeply concerned about the negative impact of opening a private medical insurance market¹⁴³. They were of the opinion that the extension of private medical insurance would weaken the public medical system and accelerate the privatisation of the medical service and that the extension of private medical insurance would polarise the medical service between those who could afford to pay and those who could not.

In short, the KPMA influenced the MOHAW directly¹⁴⁴ while at the same time the KoA continued its public demonstrations with the result that the Korean government did not concede on these issues.

iv. *Trade Remedy Laws – Korean government's efforts*

In the fifth round of negotiations, held in Montana, US from December 4th – 8th, 2006, Korea requested improvements on five items related to the AD duty system¹⁴⁵. Korea stopped the negotiation on automobile and medicine, both of which were the

¹⁴² Kyunghyang Daily Newspaper (20/11/2006).

¹⁴³ Interview conducted with Lee Hae-young, one of the co-leaders of the KoA, Seoul, February 2nd, 2007.

¹⁴⁴ Interview conducted with Jan Hyun-seuk, one of managing director of KPMA, Seoul, March 29th, 2007. Key individuals that were involved with the KPMA were also involved with the MOHAW in a 'revolving door' scenario that is common place in many modern democratic societies.

¹⁴⁵ The Trade Negotiation Centre (TNC) in MOFAT, 'Results of the fifth Meeting of Korea-US FTA,' report material of the Korea-US FTA Special Committee (14/12/2006).

Chapter Five

matters of interest for the US, while they waited for the US response¹⁴⁶. This was a firm indication to the US of how important this issue was to the Korean government. Korea asserted that the US took import control on Korean exported goods worth \$37.3 billion, which was 6.8 percent of gross export to the US between 1981 and 2005¹⁴⁷. Therefore the Korean government was of the opinion that trade liberalisation via an FTA would not be effective unless the US was willing to reform its trade remedy system (Kim 2006c: 115).

The US however did not deliver an answer to this request in the fifth round of negotiations. The US representatives explained that the issue was beyond their authority since the US Congress had to amend regulations regarding the anti-dumping duty system. The US Congress refused the request. A safe assumption would seem to be that Korean exporters were vocal in their support of the Korean government. But this was not the case. An alteration along the lines of what the Korean government was negotiating would have suited Korean exporters immensely but their support was, oddly, silent. What helps explain this odd situation is the fact that Korean exporters understood the situation to be completely outside their realm of influence¹⁴⁸. The US has never altered its trade remedy system for any trade agreement (Jackson 2006:4) and Korean exporters were well aware of the futility of attempting to influence their government to force the issue. However since the government publicly promoted that this issue would be a major accomplishment in the negotiation, actually realising it became necessary for justification of an FTA and ratification by the NA¹⁴⁹.

The final outcome was that the US made minor (see table 5.5), superficial changes to their AD regulations and trade remedy system in order to keep their Korean counterparts happy, however the structure of the system remained intact (Cheong 2006: 288–299).

¹⁴⁶ Dong-A Daily Newspaper (06/12/2006).

¹⁴⁷ The US started investigations into 85 trade remedy-related cases in the last 25 years, which hold eight percent of total number of cases that the US has investigated. Considering the weight of Korea's exports to the US import market is approx. three percent, the US trade remedy on Korean products seems rather strong (Yonhap Daily Newspaper 22/10/2006).

¹⁴⁸ Interview conducted with Huk Chan-guk, Director of Economic Research Division, KERI in FKI affiliates, Seoul, March 4th, 2007.

¹⁴⁹ Pressian On-line Daily Newspaper (06/04/2007).

v. Investment

Liberal Lawyers and ISD

Alongside agriculture, one of the most sensitive issues at stake was that of ISD¹⁵⁰. This provision gives foreign investors the right to sue a country in the International Court of Arbitration (ICA). For example, if an American investor who invested in Korea thinks that a specific policy or a measure of the Korean government violates his/her profit, he/she can sue the Korean government in the ICA for the Settlement of ISD, not a domestic court in Korea, and Korean government shall accept the decision made by the ICA (Lee 2006f: 509–539). This was to become a lightning rod for the KoA, primarily because the KoA believed that foreign investors might receive more protection than domestic investors, and laws and policies of sovereignty might become subjects of international arbitration, which might violate the sovereignty principle (ibid).

Song Gi-ho¹⁵¹, a lawyer representing the MINBYUN (Lawyers for a Democratic Society), an organisation that vehemently opposed the Korea–US FTA, asserted that a Korea–US FTA containing the ISD provisions would be a violation of the Korean Constitution¹⁵². Even some ministries within the government were opposed to the ISD provisions. The Ministry of Trade, within the MOFAT, organised an inspection team to exam the issue of ISD at the orders of President Roh in July 2006, after starting FTA negotiation. Most government offices, except the MOFAT, opposed the inclusion of the ISD in Korea–US FTA for various reasons; the Ministry of Justice (MOJ) pointed out that the ISD was highly likely to reduce the government's authority

¹⁵⁰ This is an investor protection system introduced after the 1980s as negotiation power between foreign investors and investment holding countries became more favourable to investors. It is included in most BITs and FTAs with the US.

¹⁵¹ Song Gi-ho, 'Giving the ISD benefit to American Businesses is a Violation of the Korean Constitution,' (Pressian On-line Daily Newspaper 24/07 2006). And his book (2006), "*Maginot Line of the Korea-US FTA*," Grinbi, Seoul. He also mentioned the liberal lawyer group (Lawyers for a Democratic Society-in Korean abbreviation, Minbyun), opposes the Korea-US FTA based on this logic.

¹⁵² First, regulations on expropriation and regulation (taking in investor protection provision), expected to be included in Korea-US FTA, is beyond the range of property right protection that the Constitutional Court of Korea follows. While only concrete rights concerning property value are protected in Korea, the investor protection provision in the Korea-US FTA provides the government's responsibility of compensation even when an investor cannot expect reasonable profit due to government activity and, so it is argued, is a violation of the Korean Constitution. Second, it violates the civil right of equality provided in Article XI of the Korean Constitution. US investors will be given the right to choose international arbitration procedure in addition to domestic legal procedure in Korea to resolve an investment dispute. Third, it may violate the civil right of access to courts according to Article XXVII of the Korean Constitution. Once Korea-US FTA is settled, Korean public policy becomes a subject of judges in the ICA, not of judges authorised by the Korean Constitution and laws. Since this arbitration procedure is different from the procedure of a court in Korea, it violates a citizen's constitutional right regarding a trial.

on policies as well as violate legislative authority of the NA. The Ministry of Construction and Transportation (MOCAT) was concerned that most of the government's real estate policies would be affected by the ISD and suggested the exclusion of the ISD from the agreement¹⁵³. The MOFE also raised financial issues that might be caused by the ISD. The MOFE criticised the MOFAT's position, saying, "they (the MOFAT) are saying the ISD can introduce a global standard but we still do not know what that is exactly¹⁵⁴." A more stereotypical example of the bureaucratic politics model exemplifying differences of opinion would be hard to find. The MOFAT however, stood by its 'pro-ISD' position. The MOFAT stated "our first draft sent to the US already included the ISD and settled the matter that a Korea-US FTA would include the ISD." The MOFAT maintained its position that 'Korea-US FTA would include the ISD regardless.

The government initially planned to include the system in the agreement without hesitation¹⁵⁵. Instead, however, a plan for a thorough investigation of the system for potential negative effects was initiated while the government hesitated due to pressure applied by the KoA and resistance within government circles¹⁵⁶. The Korean government proceeded to reduce the range of the ISD's applications¹⁵⁷. The negotiation attitude of the Korean representatives changed significantly; this clearly indicates that opponents' pressure had a great influence on the negotiators' position. The Korean efforts at negotiation eventually led to the exclusion of national regulations related to taxation and real estate price stabilisation in the ISD provisions. Obviously, the statist approach is not sufficient in explaining this outcome, hence the need for a societal approach that analyses both the influence domestic stakeholders had and the channels of influence they used to affect such policy outcomes.

Korean Anti-trust regulators

Another thorny issue facing the two sides was Korea's competition laws concerning the chaebols. On September 6th, 2006, chief US negotiator Wendy Cutler stated in a press conference in Seoul that the US wanted Korean anti-trust regulators to

¹⁵³ Interview conducted with Park Myung-jae, Minister of MOPAS, Seoul, March 3rd, 2007.

¹⁵⁴ Ibid.

¹⁵⁵ Hankyoreh Daily Newspaper (20/11/2006).

¹⁵⁶ For Major Issue of the Korea-US FTA Investment Items; ISD, the government is criticised for its hasty negotiation, (Kyunghyang Daily Newspaper 22/11/2006).

¹⁵⁷ Interview conducted with Park Myung-jae, Minister of MOPAS, Seoul, March 3rd, 2007.

Chapter Five

apply stiffer competition laws to conglomerates and that Korea's anti-trust regulations could pose as a stumbling block to the operations of multinational companies. Ms. Cutler added that their dominance overshadowed multinational companies operating in Korea¹⁵⁸.

The FKI, Korea's big business association, raised its voice immediately in protest against the US demand for stricter rules on family-run Korean conglomerates (*Chaebols*) through PPPM and IPI. In a statement¹⁵⁹, the FKI said that although the Korean business community greatly supported an FTA with the US, it could not accept the US request, as the proposal overlooks Korea's market, business environment and international standards. "Korean conglomerates are under the watchful eyes of anti-trust regulators," said an official at the FKI headquarters in Yoido, Seoul. "Laws like equity investment cap, cross-shareholding rules and other chaebol restrictions have always been applied to big business groups, not to SMEs or even foreign invested companies in the country. Therefore, the US demand is unacceptable." An FKI official stressed, "This US claim is a burden only to the Korean companies. The US must withdraw this demand, which could set up a roadblock for the successful conclusion of the FTA negotiations."

The FKI is instead conversely discriminated against, the FKI added. Big industrial groups have constantly argued against these rules as they cast a shadow over their investment plans and capital spending. The chaebol rules were part of the Fair Trade Commission's efforts to enhance corporate transparency as well as to prohibit chaebols' anti-competitive practices and to curb them from becoming too dominant in the market.

US calls for stiffer competition laws on indigenous conglomerates to be included in an FTA are unique and can not to be found in any other bilateral or multilateral trade accords established, including Korea's FTAs with other countries. The FKI's reaction to the US demands were immediate; a meeting with the deputy prime minister, Han Duk-soo on September 10th, 2006, and a petition letter was delivered to the Minister of trade on September 12th, 2006. Korea's chief negotiator Kim Jong-hoon Kim responded by saying that the US demands were unacceptable¹⁶⁰ and the result was

¹⁵⁸ Dong-A Daily Newspaper (10/09/2006).

¹⁵⁹ FKI public statement (11/09/2006).

¹⁶⁰ Korea Times (2006/09/13); Interview conducted with Kim Jong-hoon, current Trade minister (former the

that the US demands were taken off the table.

vi. *Textiles—lack of influence*

Next to the automobile industry, the textile industry was expected to benefit most from a Korea–US FTA (see table 5.5). Korea requested an immediate opening of the US textile market. They devised a 3–step tariff removal scheme; immediate removal and removal within 3 and 5 years¹⁶¹. The US suggested a 5–step scheme including immediate removal and removal within 3, 5, 10 and 15 years.

The ‘Yarn Forward’¹⁶² was particularly anathema to the Korean Federation of Textile Industries (KFOTI). This regulation provides that original thread shall be produced in the exporting country as well for approval of a place of origin. The Korean government requested a removal or easing of this regulation. The final outcome reflected US interests more than Korean.

Unlike the KAMA and the KAICA, the KFOTI was in a considerably weaker position in relation to the Korean government. The reasons behind the relative weakness of the KFOTI are that the textile industry had been in decline for since the 1970’s (Lee and Shon 2001:1133–1135), compared to the KPMA their political war chest was tiny while the importance of textiles to the Korean economy or Korean society as a whole – when compared to agriculture – was negligible. Despite the KFOTI’s pleas, the Korean government decided to concede on most points relating to the textile industry¹⁶³. But this was not a decision that was made in a vacuum, such decisions rarely are. It was agreed that US request to introduce textile safeguards would be exchanged for Korea’s request to introduce agriculture safeguards (Kim and Ahn 2007: 95). This interpretation indicates the congruency of the statist approach in dealing with specific aspects of Korean FTAs. In surrendering on the issue of textiles, the Korean government had swapped it for more bargaining power on issues it considered of more value. Also, from the US perspective, their textile industry is almost as politically sensitive as the

chief negotiator). I was accompanied by Kim Gi-ju, former director of administration Bureau in Blue House, August 24th, 2009.

¹⁶¹ JoongAng Daily Newspaper (26/02/2006).

¹⁶² This is one of the US NTBs; Yarn Forward is a rule concerning the origin of textiles and apparel, which determines the origin according to where the material used to make the final product are produced. Under this rule, only apparel made from yarn and fabric originating in Korea would qualify for the FTA. This rule creates the anomalous situation where the effective amount of value added processing necessary for qualifying apparel is substantially higher than for all other products-in the range of 80 to 90 percent. The net result is that the yarn forward rule in this FTA will retard, rather than promote textile and apparel trade.

¹⁶³ Kyunghyang Daily Newspaper (17/03/2007).

Chapter Five

agriculture industry is to the Korean government. The KFOTI's access¹⁶⁴ to the three key structures was limited, particularly through their lack of organisational power (itself a result of the weakening of the industry after China's entrance into textiles production). This lack of access to channels of influence reduced the KFOTI's effect on policy outcome drastically.

The role of the US government

One question that must be answered before we move any further is that which concerns the role of the US government in achieving its goals. As looked at above, the US government did have a role to play concerning several key issues, notable agriculture, automobiles, medicine, investment (ISD and anti-trust legislation) and textiles. Although the US did get its way in textiles and automobiles, it did not achieve its goals concerning the other four sectors. But what explains this result, or in other words, why did the US succeed in achieving some goals and failed in others? At risk of slight oversimplification, there are two answers that can explain why the US succeeded in achieving its stated goals concerning textiles and automobiles. The first explanation is that the US pressure on the Korean government was relentless on these products and that the Korean government blinked first. On the other hand, one could state that the Korean domestic stakeholders in these sectors either did not apply enough pressure to maintain their position or that they did not have the wherewithal to mount an effective opposition. So, while these two episodes of variance could be explained as outside interference from the US government, the fact is that the remaining four issues, agriculture, medicine, ISD and anti-trust legislation cannot be.

Summary

To summarise, the impact domestic stakeholders had on these important of issues varied from success to failure. The results of agricultural goods, medicine and ISD (investment and anti-trust laws) were firmly in favour of the Korean domestic actors, whereas automobiles, trade remedy and textiles favoured their counterparts. Evidence that suggests that domestic stakeholders influenced the final agreement is plentiful and each issue is replete with facts that confirm this dissertation's main thesis;

¹⁶⁴

Interview conducted with Kim Sung-jong, one of directors of KFOTI, Seoul, March 17th, 2007.

Chapter Five

i.e. that domestic stakeholders can and do shape FTAs.

Supporters access to PI was weak (tertiary) and there are several reasons why this was so. Firstly, many businesses feared supporting the agreement could lead to a boycott. Second, businesses also feared social compensation costs, despite government assurance that no company would have to pay anything of the sort. Third, Korean business leaders (through the FKI's focused OP) had access to IPI and PPPM (primary and secondary respectively) and use of these channels was seen to be strategically more viable given the potential aforementioned costs of utilising PI to any great degree.

Similar to previous FTAs, the agreement's opponents relied heavily on PI (primary) given their diffused OP, although they did have access to PPPM and IPI (secondary and tertiary respectively). Their reliance on PI was the result of several factors. First, most notably, was their failure to access PPPM and IPI to any great degree initially due to their diffused OP. Second, the fact that they had diffused OP, ensured access to PI, a channel that had served their interests well in the past. Their success in utilising PI was actually what gave them effective access to the other channels.

Fundamentally, a group's success depends on its access to the three key structures of channels of influence; PI, PPPM and IPI, an important factor that shall be examined in greater detail during the conclusion.

Ratification phase

During the ratification phase the opponents have had the upper hand to date. This was largely due to two important events. The first of these was the Presidential and general elections. Public hysteria was much in evidence by the time the election cycle had begun to kick in, public demonstrations organised by the KoA were receiving massive media coverage and several of these demonstrations had turned somewhat violent. With the elections coming up, many politicians were aware of how sensitive this issue was and it is for this specific reason that many of these same politicians decided to avoid discussing the FTA or having it as part of any agenda. In June 2007, the agreement was signed, in December of that year the presidential election was held and four months later the general election was held (on April 2008). The KoA, again

Chapter Five

given their diffused OP, accessed PI as primary channel, to ensure that politicians were aware of how many people felt regarding the Korea-US FTA. The result was that the agreement did not even manage to reach the COFAT before the general elections. After the elections, the governing party had gained a majority in the NA and, one would have suspected, a firmer resolve to pass the agreement.

As for the second event, immediately after the general elections, the US beef-importation scare resulted in candlelight vigils being held from April 27th, 2008 and continued through till October of that same year. These vigils grew in strength and peaked on June 10th when one million people turned out across the nation to demonstrate, coinciding with the actions of the pro-democracy movement in 1987. The symbolism of this act was difficult to ignore. The effect these vigils had on the government's intent regarding the Korea-US FTA cannot be overstated, the vigils basically froze the agreement in the NA. Despite the government's majority in the NA, it was unable to push the agreement through the COFAT. The OKAC (a large umbrella group that contained most of the same members of the KoA) had close ties with the opposition parties (using PPPM as secondary) in the NA (the DP and LP) and worked in tandem with them to ensure that their members were up to date on the OKAC's public position. Finally, in April 2009, the GNP had the bill passed through the COFAT, where the bill is currently awaiting ratification in the NA. The influence that the KoA has had on the ratification phase is as unmistakeable as that it had on the negotiation phase.

This does not mean to say that the agreement's supporters had been idle. President Lee has been a diligent supporter of the agreement and has spoken strongly in its favour at several public gatherings. Senior members of government have also publicly come forward in support, including Kang Man-su, the Minister of Finance, who has said that delaying the agreement for a year would result in massive economic losses. These supporters have not been alone, many elements of the conservative media have additionally spoken in favour of the FTA. Furthermore, minority groups, such as 'FCAK' and 'Committee against Kim Jong-il', have also thrown their weight behind it. Finally, the FKI has worked with the conservative media, the government and minority groups and have had publications printed all in support of the Korea-US FTA.

However, despite the use that supporters have made of IPI, PPPM and PI (primary, secondary and tertiary) through their focused OP, the fact of the matter is that

Chapter Five

it has not been enough to counter the massive use of PI that the agreement's opponents have accessed to date.

Conclusion

The purpose of Chapter Five was to investigate the Korea–US FTA process and see if there was any evidence that suggested that domestic stakeholders had any influence on the process itself. We began by looking at why the US was chosen as an FTA partner and the evidence examined suggested very strongly that the FKI coalition played a role in convincing the government to adopt a pro–US FTA outlook. The courtship that the FKI paid the Minister for Trade was short but intense and had a domino effect – as they hoped it would – with the MOFAT and the president also lending their unqualified support. Thus, in the agenda-setting phase, supporters completely dominated through IPI and PPPM. Furthermore, the agreement was strongly supported by the president, a key veto player. However, the negotiation phase was not as smooth for the FTA's supporters.

The announcement of negotiations with the US on an FTA caught many flat-footed, although the opposition was quick to regain its composure. The thrust of the Korea–US FTA was wide-ranging and comprehensive; one fact among many that was to stoke the ire of many domestic groups and the general result was the most controversial of FTAs. Supporting the FTA were the MOFAT, the president and the FKI led coalition of large corporations. They supported the FTA on the grounds that a trade agreement with the world's largest economy could only be a good thing for the Korean economy by bringing a new, larger market for Korean produced goods, tying in structural reforms and, by competing with US companies, creating a drive for greater efficiency. Opposing the FTA were many groups and individuals; from the farming sector to movie, pharmaceutical and textile industries to civic groups and labour unions and key politicians. A loosely organised *uber* coalition was formed from these and other groups, known as the KoA.

Once the battle lines were drawn, the fight ensued with vigour. The government had been keen to push its agenda, with the President staunchly supporting the Korea–US FTA and his administration adopting the FKI's position as its own. Although the FKI did not publicly engage in supporting the FTA, their influence was hard for the government to ignore once the decision to move ahead with the Korea–US FTA was taken. Some groups supportive of the FTA did remonstrate publicly, but their voices

Chapter Five

were all but drowned out by the KoA. The KoA's dominance of public influence meant that other domestic stakeholders would have required a similar or equivalent dominance in other structures to balance this. The KoA bared its teeth during the negotiation phase and forced the government to adopt some – though not all – of their demands during negotiations. While the KoA may not have critically injured the FTA, they did change the final agreement to something more palatable (especially on agricultural sectors, medicine, and ISD). While supporters have utilised three channels of influence in full mobilisation (IPI-primary, PPPM-secondary, PI-tertiary), opponents mainly depended on IP as primary channel with IPI as a distant secondary channel and PPPM as tertiary channel (to a much lesser degree).

The ratification phase was the scene of further battles. During ratification, the agreement's opponents utilised PI as their primary channel of influence and IPI as their secondary, while supporters focused on IPI (primary) and PPPM (secondary). The FTA's opponents took advantage of the presidential and general election cycles to keep the focus on the FTA so that the government could not push through ratification. Furthermore, following the elections, the issue of the importation of US beef and the concomitant candlelight vigils ensured that the government found it impossible to push through ratification, despite strong support from the President and the majority governing party. Massive and ongoing protests helped to stall the ratification of the Korea-US FTA in the 17th session of the Assembly and the 18th session of the NA again (at time of writing). The data presented in this chapter would suggest that there is ample room for applying the societal approach, given the role that domestic stakeholders had in all aspects of the Korea-US FTA which neither the systemic or statist approaches can safely define.

Of the issues that mattered most to the domestic stakeholders who opposed the trade deal, agricultural goods, medicine and investment were top of their agenda. The influence applied to the government forced the Korean negotiating team to adopt a position that would be supported by the FTA's opponents. Hence the Korean government pushed hard at the negotiating table on these three issues and forced to US to accept compromises they found distasteful.

Conclusion

Conclusion

The central focus of this thesis has been on the variance in outcomes in Korea's Free Trade Agreement negotiations that have occurred in response to domestic societal pressures. The general body of literature on international trade policy has focused thus far, in large part, on the United States. There has been relatively little work published concerning developing countries, such as Korea, and what studies that are available tend to focus on systemic interpretations, with few exceptions. I have attempted to address this imbalance by examining both statist and societal approaches with a view to understanding the variance in FTA policy outcomes. The question being whether variance can be explained using systemic approaches alone; indeed the empirical chapters suggest that domestic social actors play an important role. Although systemic and statist interpretations can help us in understanding large parts of how and why Korean FTAs evolve, on their own these approaches fall short in providing a comprehensive explanation for the variance in outcomes. In order to examine this question in detail, I have applied an analytical framework based on three channels of influence; PI, IPI and PPPM. These channels of influence are, in turn, accessed according to the type of OP organisation's have (either focused or diffused). Furthermore these channels of influence are ranked according to usage during each phase of the FTAs studied in the empirical chapters. Using this analytical framework and using qualitative methods, consisting of interviews with important individuals, across three case studies; the Korea–Chile, Korea–Japan and Korea–US FTAs, I test whether domestic stakeholders act as independent factors.

The recent popularity of FTAs has been partly the result of failed attempts at multilateral trade liberalisation through the WTO and the need for some sort of international trade mechanism to bridge the gap that this has created. Shifting conditions in international trade often have severe distributional consequences on societal actors. They can create tensions in extant political arrangements and alliances which result in a state of political flux and uncertainty. Currently, the literature on international trade describes three main theories which analyse the formulation of international trade policy; systemic, statist and societal approaches. The systemic approach helps us to see the situation from the outside in, whereas the statist approach offers a view from the

Conclusion

inside out. The problem is that utilising these two approaches results in unanswered questions such as; why does the negotiation of some FTAs exceed their unofficial timeframe? Why do some FTAs exclude important items that were originally planned for inclusion? Why do all FTAs not succeed in reaching ratification? Once the societal approach is considered, however, we include specific factors that play a demonstrably important role in answering these vital questions.

On the Argument of Foreign Economic Policy theories

One of the intentions of this thesis was to evaluate the implications of the theoretical arguments on foreign economic policy relative to the three case studies contained herein. A systemic approach provides an understanding of the situational imperatives of international conditions that played a role in Korea adopting an FTA platform. Besides general systemic approaches interpretation (e.g., domino effect, bandwagoning, etc.) in explaining Korean FTAs, there are also specific systemic approaches interpretations that can be applied to our case studies. The Korea-Chile FTA was interpreted as a response to the Asian financial crisis of 1997 and would encourage further FTAs. The Korea-Japan FTA, while sharing a similar systemic profile to the Korea-Chile FTA, was also characterised by security concerns vis-à-vis North Korea. The Korea-US FTA shared similarities in its profile with both the Korea-Chile and Korea-Japan FTAs (i.e. encouraging FDI and security concerns). Although unlike the other two, the Korea-US FTA was also motivated by strategic concerns vis-à-vis China's regional dominance (McDonald 2004: 548).

These clearly delineated features do help give context and understanding to each of Korea's FTAs. However, we are still left with unexplained variance within each of our case studies; the final Korea-Chile FTA agreement differed from what was originally set out by the partner governments (i.e. the exclusion of grapes, pears, rice and apples). Meanwhile the Korea-Japan FTA negotiations have been deadlocked since 2004. The Korea-US FTA will similarly differ from what was originally laid out, if it should pass. Furthermore, despite a conclusion of the Korea-US FTA negotiations, the ratification phase would seem to have come to an impasse at time of writing. Which all would seem to beg several questions, what processes could result in these kinds of variance? Are these processes similar or dissimilar across the case studies? What other

Conclusion

foreign economic policy theory could explain this variance? Are there key players other than the individual governments involved? Is the process of initiation the same across all three? It would appear that the systemic approach alone is not entirely capable of accounting for such variance (Ikenberry *et al.*, 1998: 5). This thesis therefore looked at approaches that deal with domestic factors to see if any further light could be shed on the subject (i.e. statist and societal approaches).

Of these we shall deal with the statist approach first. According to the literature on the subject, the core tenet of the statist approach is that the state plays the lead role in foreign economic policy (Oatley 2004: 109; Skocpol 1985; Nordlinger 1981; Krasner 1976: 317). For proponents of the state as actor approach, the state is not necessarily the only significant actor. Also, they do not assume that the state always acts as a rational, unified entity. Nevertheless, state officials and institutions do emerge as central actors, and play a critical role in shaping foreign economic policy (Ikenberry *et al.*, 1988: 12).

To be more specific, the three leading statist arguments are; state's dominance of formulation and implementation of foreign economic policy, state not as unitary actor but separate from parochial interests (i.e. national interest) and, finally, political institutions as decisive factors in explaining policy outcomes. The case studies show that these arguments do have congruency and help explain many factors. However, they do not succeed in explaining the root causes of this variance.

For the statist, the state is situated at the intersection of the domestic and international political economies and is the principal national actor charged with the overall conduct of foreign economic policy. This unique position of the state gives executive officials a special legitimacy (related key ministries) in the formulation and implementation of foreign economic policy.

As the empirical chapters have shown, the statist approach successfully deals with many aspects of our case studies (e.g. agenda setting phase). Accordingly, during the agenda setting phase, each FTA was dominated by a single political actor, the MOFAT, and was supported by each president respectively, a key political veto player. It was the MOFAT that had the legislative tools necessary to deal with this phase and it was MOFAT that played a pivotal role in initiating the Korea-Chile FTA (the government viewed FTAs as a possible mechanism to help alleviate the Korean economy from the stresses caused by the Asian financial crisis of 1997). Also, MOAF

Conclusion

played an important role also as a dissenter among Korean political institutions, creating intergovernmental conflict. MOFAT stood in favour of the Korea-Chile FTA in large part due to its predilection for open markets and the belief that seasonal differences would reduce any detrimental impact on the Korean agricultural market. MOAF, on the other hand, opposed the agreement precisely because Chile was a strong agricultural producer and believed that the losses would outweigh any benefits that would accrue to Korean farmers. MOFAT, however, effectively overrode MOAF's concerns during the agenda setting phase.

The Korea-Japan FTA case study likewise displayed similar features during the agenda setting phase. Again the MOFAT was a main instigator of the agreement and this it did for several reasons. Due to the financial crisis, the government was eager for a new economic paradigm and an FTA with Japan was seen as a way to encourage FDI. Also, there was widespread belief that Korea's main industries were in need of reform and an FTA was seen as the agreement that would help kick-start the required reforms. Typically, however, industrial restructuring was strongly resisted in Korea, although given the severity of the financial crisis in 1997, Korean industry was understandably more malleable to government reform initiatives (e.g. Big Deals programme- see above Chapter four). Lastly, Korean agriculture was seen as more productive than its Japanese counterpart and, therefore, an FTA with Japan would finally help open the Korean domestic agricultural sector, an act that had seemed insurmountable in previous incarnations of this debate.

Finally, the agenda setting phase of the Korea-US FTA case study displays some slightly unusual characteristics, though still within the remit of a statist approach. Again MOFAT played a most critical role in initiating the Korea-US FTA. However, the manner in which it did so differs from the previous two case studies. According to the government's own 'FTA Roadmap', an FTA with the US was a medium to long-term goal but was set in motion with virtually no debate on the issue, public or private (i.e. intergovernmental). The Minister of MOFAT persuaded the President to set the FTA in motion without informing other ministries. The agenda setting stage was established with a simultaneous acquiescence on four key preconditions that the US had unilaterally laid out and, subsequently, the negotiation phase was started.

An examination of the three agenda setting phases demonstrates that a statist

Conclusion

approach is a valid and useful analytical tool. The question remains as to whether a statist approach can be used to analyse the remaining phases and answer our main research questions. However, the case for domestic societal interference begins even before these two later phases, in fact the agenda setting phase the Korea-US FTA has produced evidence to suggest the involvement of domestic stakeholders. While the statist approach offers a valid interpretation of how and why the agreement was established, it does not account for the role that the FKI played in the early agenda setting phase. As the case studies have shown, the FKI wished to maintain good working relations with the government (MOFAT particularly) after its role in undermining the Korea-Japan FTA. The FKI's role, utilising IPI (primary) and PPPM (secondary), in cooperating with the MOFAT in formulating an approach to securing access to the world's richest market through an FTA with the US and preventing any 'drift' between the two countries that seemed possible due to the election of President Roh Moo-hyun are details that the statist approach could not uncover. Suffice to say that the main difference between these agreements at this point, from the perspective of this thesis, is that neither the Korea-Chile nor the Korea-Japan FTAs reveal much else when examined from using a societal approach. In comparison, when looking at the Korea-US FTA from this approach, we see that a major societal actor, the FKI, played an important role.

However, to continue from our first case study; the evidence collated from the Korea-Chile FTA case study clearly shows that the agreement's domestic societal opponents were involved quite effectively during the negotiation phase. We saw that the motivating factors for supporters consisted of a strong view that an FTA with Chile would begin a phase of FTA expansion, would help deal with the aftermath of the Asian financial crisis and increase trade. Opponents were motivated by the sensitivity of one of the sectors (i.e. farming) and a disillusionment with the process of globalisation. The alliance between the widely based agricultural sector and civic groups overcame their collective action problem and resulted in a diffused OP. This diffused OP was not focused enough to gain immediate and effective access to either IPI or PPPM. In other words, the organisation had a very large base of individuals who rallied together in an ad hoc fashion in response to a specific set of stimuli (i.e. the FTA). This kind of diffused OP effectively meant that their access to political institutions and key

Conclusion

politicians and policy makers would be less than their ability to influence the public (e.g. public demonstrations, media coverage, etc.). Their focus on informal channels of influence (PI, primary), due to their diffused OP, resulted in effective street demonstrations, combined with a formal channel of access (IPI, secondary), the MOAF, produced a tangible result during the negotiation phase (i.e. changing the contents of the agreement). Both the agricultural sector and the MOAF shared a common understanding regarding the Korea-Chile FTA, thus it was rather straightforward for the agricultural sector to utilise IPI through the MOAF.

The FKI, on the other hand, had focused OP. What this meant was that they had a smaller numbers of individuals (i.e. companies) who were organised on a permanent basis. Given the fact that the FKI is organised on a permanent basis (and has been since 1961) and represented some of the most powerful individuals (i.e. chaebol CEOs) in Korean society, the relationship that the group built up with governments, leading politicians and political institutions (e.g. MOFAT) over the years should come as no surprise. Hence the FKI's focused OP left them with more effective access to IPI as primary and PPPM as secondary rather than PI. This is not to say that they had no access to PI, they did through the pages of various conservative media publications. But the fact of the matter was that they felt they could not directly access PI – as the agriculture-civic group alliance had done – because they feared a potential anti-*Chaebol* backlash.

As a result of this imbalance, the negotiation phase dragged on for almost 40 months (Dec. 1999- Feb. 2003). After the 4th round of meetings, the negotiations ground to a halt. Although some might argue that the Chilean government was the cause of this, the evidence produced in the case study would suggest that the primary cause of this delay was the agriculture sector's concerns regarding the importation of specific products (apples, pears and grapes), which were eventually excluded from the final deal at the farming lobby's behest.

The ratification phase was also hard fought, but the agreement's supporters had learned from their opponents that to be more effective in influencing policy trajectory, they had to have access to several key channels of influence. In order to achieve this, the FKI led coalition utilised conservative newspapers (who shared a similar outlook) to project their interpretation of the FTA (PI) while maintaining their

Conclusion

use of IPI (i.e. political parties and the President). At this stage, the domestic stakeholders who opposed the FTA had suffered attrition in the channels of influence that were open to them. Their access to IPI was drastically reduced when the FTA progressed to the ratification phase (i.e. the MOAF had no role to play once the agreement was signed and awaiting ratification in the NA). Furthermore, the agricultural sector's access to PI was similarly reduced when it was split into two opposing camps (thus reducing their OP in the process). However, they did retain some access to IPI; given the gerrymandering of political voting districts over the years, the rural vote was, arguably, over-represented in the NA and, hence, circa 70 members of the NA created a de facto 'Rural Party' that managed to fend off ratification for over a year. Given that the agreement's opponents had reduced their OP and, hence access to PI and IPI, they were merely fighting off the inevitable.

The case study shows that although the final outcome was ratified, the government had to do two things to have it ratified. First, they had to alter the agreement in favour of opponents in order to mollify opponents enough to ratify the agreement. Second, they had to offer sections of the agricultural sector large side-payments to see them cease their opposition. Indeed, one argument is that the agricultural sector was deliberately provoking opposition in order to gain increased side-payments.

The statist approach does indeed explain the major thrust of what happened (i.e. the government wanted to pass an FTA bill and did so) but it does not explain the nuances behind the exclusion of important items and the considerable amount of time it took for the FTA to pass ratification. However, as opponents were wont to point out, the first FTA was to be the first of many and regardless of how *sacrosanct* portions of the farming market were, the first inroads to opening them had been made in the face of enormous opposition.

The Korea-Japan FTA case study is another case of both the applicability of the statist approach to specific questions and, simultaneously, how it falls short in providing a comprehensive explanation for the deadlock in negotiations. The opening of the negotiation phase saw a coalition between labour unions and civic groups in opposition and the FKI in support, although they were to eventually oppose it. The motivating factors for supporters are quite similar to the Korea-Chile FTA although with a heavier

Conclusion

emphasis on encouraging FDI. However, opponents (including the FKI) saw the FTA with Japan as a source for grave concern due to Japan's great industrial strength. Given the distributional consequences, the agricultural sector might have been perceived as a possible supporter of the FTA by the government. In fact, the agricultural sector opposed the agreement due to perceived notions of the role of FTA-type agreements in the process of globalisation (but were not as noticeably involved as they were in the Korea-Chile FTA). The opposition alliance attempted to emulate the achievements that the opponents of the Korea-Chile were having but met with little success.

For a start, labour's OP was sufficient to overcome its collective action problem but was comparatively more diffused than the Korea-Chile FTA's opponents. Labour's main problem lay with their access to PI as a primary channel. This was seriously hampered by two key factors; the dominance of the presidential impeachment and the Korea-Chile FTA in the media and political spheres. This drastically reduced any potential access to PI. Furthermore, given labour's diffused OP, and the fact that gerrymandering was not in their favour, they could not utilise their limited PI to gain access to IPI.

As the negotiation phase progressed, the FKI-led coalition withdrew their conditional support for the agreement. Unlike the labour-civic group coalition, the FKI led coalition was not as hampered by the prevailing conditions. There have been various interpretations suggested of these developments. As an outsider, one cannot be entirely certain of the exact course of events. But several sources (a key member of the FKI, a high-ranking official from MOFAT and several sources from the MOCIE and MOFE) suggested to me that the following happened: the FKI utilised their focused OP on convincing ministries *other* than MOFAT that an FTA with Japan was a mistake, accessing IPI as their primary channel (i.e. MOCIE and MOFE) and PI as secondary (i.e. conservative media). Most notably they shared their concerns regarding the potential impact of an FTA with Japan on Korean industries with the MOFE and the MOCIE, who in turn were keen to attempt to dissuade the MOFAT from signing the agreement. The result of which meant, in effect, that the Korea-Japan FTA had no supporters outside the government and resulted in a deadlock that has yet to be resolved.

Although some might argue that the Japanese government might be a major factor in explaining this deadlock, the facts are that the Japanese government tried to

Conclusion

restart FTA negotiations with Korea in 2007 and 2008, to which the Korean government did not display any enthusiasm. The evidence produced in our case study makes it clear that the Korea-Japan FTA reached a deadlock due to the lack of support outside of government circles. In other words, it is domestic actors (non-state) that helped determine the current deadlock.

The negotiation and ratification phases of the Korea-US FTA are best exemplified by the inauspicious welcome it received shortly after its brief agenda-setting phase. The KoA, the largest civil movement in Korean history, was established less than two months after the agreement's negotiation phase began. Again, the motivating factors that compelled the FTA's supporters are echoed by the previous two case studies. Similarly, the agreement's opponents were motivated along similar lines as the Korea-Chile and Korea-Japan FTAs. The size of the KoA, the fact that it was formed from many smaller groups (labour unions, agriculture, civic groups, etc.) and was focused on one specific issue (i.e. anti-FTA) meant that access to PI was virtually guaranteed and, concomitantly, every round of negotiation that was held in Korea witnessed massive demonstrations. The KoA mobilised PI as primary channel through street demonstrations, protests, vigils and online petitions similar to Korea-Chile FTA. Access to IPI as a secondary channel saw the involvement of the Rural Party in the NA.

Domestic stakeholders that supported the agreement learned their lessons well from the Korea-Chile FTA and supported the FTA in the manner that suited them best. This meant utilising the conservative media, who were more than willing to be involved, thus accessing PI. Again, the FKI's closeness to government resulted in firm access to IPI (e.g. their close working relationship with the MOFAT and other ministries), and PPPM. On the whole, though, the FKI led coalition tended to utilise formal channels (IPI as primary) more so than informal channels (PI as tertiary). This trend is seen stretching back through each of our case studies and can be explained by the form of OP the FKI had access to. In other words the FKI's focused OP allowed them to access formal channels (e.g. IPI) more effectively rather than informal (i.e. PI), at least in comparison to their opponents.

In Chapter Five we looked at six specific areas covered in the negotiations – agricultural goods, automobiles, medicine, trade remedy, the ISD and textiles – in order to examine the processes of the negotiation and ratification phases from the perspective

Conclusion

of explaining the variance that occurs in the final agreement. The evidence collected would suggest that domestic stakeholders played an important role in defining the FTA.

Two of these items are easily analysed using a statist approach (trade remedy and automobiles). Three items deal specifically with issues that require further analysis (i.e. societal approach) to successfully resolve (agriculture, medicine and investment). The remaining item, textiles, can also be explained using a statist approach but the specific details help us to shed light on why some domestic stakeholders have influence and others do not.

There is no variance in the final agreement regarding trade remedy and automobiles. In the case of trade remedy, the Korean government failed to achieve its stated goal due to the intransigence of the US government. In the case of automobiles, the US succeeded in achieving its aims due to a lack of resistance from the Korean government while the relevant domestic stakeholders (KAMA and KAICA) were rather indifferent to the FTA.

On the other hand, there are three items which deal with specific variance regarding the final agreement. Four specific items were excluded from the final agreement despite plans by both the Korean and US governments to include the entire agricultural market. What explains this variance? One might argue that specific elements within the KoA opposed these items with the intention of securing larger side-payments should the agreement be ratified. Be that as it may, whether the KoA opposed the FTA on principal or whether they were solely interested in side-payments, the actual result stays the same. Our case study showed that the KoA umbrella group campaigned vigorously during the negotiation phase to either have the FTA cancelled or, at least, to exclude certain items. The evidence suggests that the KoA successfully lobbied the government to exclude these four specific items.

Similarly the issue of DPRP also involved the KoA (in collusion with the KPMA). The Korean government originally planned to have the DPRP removed at the request of the US. Notably, this was one of the four original preconditions laid down by the US to signing an FTA with Korea. However, this move attracted an intense amount of criticism from the KoA and the KPMA. Again the evidence suggests that the KoA (utilising PI as primary, PPPM as tertiary and IPI (MOHAW as secondary) - though with a heavy emphasis on PI) successfully persuaded the Korean government to

Conclusion

abandon its plans to remove the DPRP.

Similarly, the issue of investment and what was originally laid out by both governments was to rile the KoA, who had also allied with MINBYUN. The issues of taxation and real estate stabilisation were agreed upon by MOFAT at the suggestion of the US government. The evidence here is again strongly indicative of the role that domestic stakeholders had in FTA policy formulation. The KoA (with MINBYUN) – although they lacked access to IPI and PPPM – utilised their access to PI to influence the government to change its stance on these issues. Along similar lines, the US requested anti-trust regulations as part of the FTA but it fell upon the FKI to persuade MOFAT that such regulations would be unnecessarily punitive. They did so using their preferred channels, notably IPI.

We have seen how the statist approach can help us understand in part how Korean FTAs evolve. However, as our case studies have shown, the statist approach alone does not provide a proper and full explanation for variance in outcomes, which are the result of a combination of domestic stakeholders' motivations and modes of expressing policy preferences. A combination of approaches, incorporating a societal approach is what is required to provide a comprehensive analysis of Korean FTAs. Indeed it is evidently necessary that a societal approach is required to help decipher the nuances in variance that occur across our case studies.

Finally, and of no less importance, textiles can be safely understood using a statist approach; i.e. the Korean government conceded to US demands. However, unlike the previous two cases (trade remedy and automobiles), there was a specific domestic interest group which argued against these demands. The KOFTI was the lead textile industry representative group and they were staunchly opposed to the US demands. But what explains their lack of result? Firstly, the KOFTI had weak organisational power. This is due to several factors, most notably the fact that textiles was an industry in decline (and had been over many years) and, therefore resulted in a reduction of sensitivity (i.e. amount of workers affected and the industry's level of importance to Korean society). Importantly, this weak OP reduced the KOFTI's access to other key structures of influence (PI, PPPM and IPI). In other words, weak OP and reduced industry sensitivity combined to deny KOFTI any effective use of channels of influence. KOFTI lacked access to the channels of influence that worked for both the KoA and the

Conclusion

FKI and as a result their ability to influence the FTA was severely truncated.

The ratification phase of the Korea-US FTA was dominated by the KoA and affiliated organisations' street demonstrations of the summer of 2008. The process itself has been suspended (at time of writing) and it is not clear exactly when, or if, the agreement will be ratified. This is notable because President Lee's government actually maintains a majority in the NA. What is it that has caused the ratification phase of the Korea-US FTA – that has the support of both the majority government and the political institution legislated to design and conduct international trade agreements – to stall? As the evidence clearly suggests, this is primarily because of public demonstrations and the role of the Rural Party in the NA, or to put it another way, because of the KoA's access to PI (demonstrations) and IPI (the filibustering RP within the NA).

With the Presidential and General Elections being held during the ratification phase, one might assume that, given the support the FTA received from the major political parties, the FTA would have been a visible part of the electioneering. This, however, was not the case. Similar to the Korea-Chile FTA, the KoA publicly announced that any politician that supported the FTA would be targeted at the election booth. The KoA kept the FTA in the media spotlight, ensuring that neither major political party felt comfortable publicly supporting the agreement, and furthermore, the government could not begin the process of ratification. Following on from the elections, candlelight vigils began to occur across Korea, in response to a television programme called "PD Notebook" which highlighted the supposed health implications of importing US beef. These vigils were enough to maintain pressure on the incumbent government and prevented it from passing legislation ratifying the FTA. Thus the KoA utilised PI as their primary channel in influencing the government. Currently the bill awaits ratification in the NA and one would expect the KoA to respond in a similar fashion to how they responded during the Korea-Chile FTA.

These activities were also to find receptive members of the NA, or at least those members who saw supporting the KoA's position as the only viable, survivable option (in a political sense). These members coalesced into what became colloquially known as the Rural Party and were a constant thorn in the side of the government's attempts at passing legislation to ratify the agreement. Thus gaining the KoA access to IPI is as a secondary channel.

Conclusion

Secondly, the statist approach does not assume that the state always acts as a rational, unified entity. However, their preferences are (partially, if not wholly), distinct from the parochial concerns of societal groups and are tied to conceptions of the national interest (Ikenberry *et al.*, 1988: 10; Skocpol 1985; Nordlinger 1981; Krasner 1978). But, as the evidence in our case studies show, this is not always the case. While ministries do act with national interest in mind in some cases, they are sometimes prone to acting on the sectional interests of the industries they represent. For example, during the Korea-Chile FTA the MOAF could arguably said to have been promoting their own sectional interests (i.e. that of farmers) over national interests.

Finally, the statist approach argues that many societal approaches (Shafer 1994; Frieden 1993, 1991a, 1991b, 1988; Rogowski 1989; Gourevitch 1986, 1984, 1977; Milner 1987; 1988) describe the state in extremely reactionary terms regarding policy-making and defines it as little more than passively responsive to the preferences of interest groups (sectors or factors). The societal approach argues that overcoming collective action problems is a key determinant of political influence (Gowa 1988). Those interest groups (be they factors or sectors) that are most likely to mobilise behind their preferences will have the greatest effect on policy decisions. From a statist approach point of view, however, the ability to overcome collective action problems and mobilise for political purposes need not guarantee influence over policy matter (Keohane and Milner 1996a, 1996b; Alt and Gilligan 1994; Thelen and Steinmo 1992; Odell 1990; Goldstein and Lenway 1989; Krasner 1984). And so the question that the statist approach attempts to answer is; *why are some coalitions of societal interests able to achieve their policy goals while others such coalitions are unable to do so?* Some of statist claim that political institutions; presidentialism, (Shugart and Haggard 2001; Destler 1995; Verdier 1994) and electoral rules (Rosenbluth and Schaap 2003: 307; Frieden and Rogowski 1996; Garrett and Lange 1995; Rodrik 1995; Carey and Shugart 1995) are the determining factor in producing trade policy outcome. However, as our case studies have amply demonstrated, domestic societal stakeholders can also play a determining role in affecting trade policy outcome. They play that role by utilising the three key structures of channels of influence based on their focused/diffused OP.

When the evidence produced above is taken together, it is clear that the statist approach can offer valuable insights into what goes on (and why) behind Korean FTAs.

Conclusion

However, the statist approach alone falls short in offering comprehensive answers for the variance that the FTAs in our case studies have produced. Fundamentally, what the evidence we have collated would suggest is the societal approach has much to offer in terms not only of uncovering a level of nuance that neither of the other approaches can offer but that it proves the important, integral and, in some cases, dominant role that domestic stakeholders play in defining FTA policy outcomes (and therefore foreign economic policy) and the mobilising factors that propel these same domestic stakeholders.

Contribution

A primary objective of this thesis was to undertake a theoretically motivated empirical analysis of Korean FTAs in light of the inability of statist and systemic approaches to fully explain different patterns in and outcomes of Korean FTAs. As was noted in the introduction to this thesis, the matter of how domestic interest groups affect foreign economic policy has both theoretical and practical significance. Given this importance, it is essential to build upon or from this work and to acquire a more sophisticated appreciation of a very important area of inquiry. Thus, the contribution of this thesis is, therefore, two fold; theoretical and empirical.

The theoretical aspect consists of three main contributions. First, due to Korea's recent developmental history – and the concomitant hangover of statist control over foreign economic policy typically found in states shortly after independence – and the popularity of systems theory in explaining FTAs, theorists have viewed Korean FTA policy through the lenses of either statist or international approaches. This thesis demonstrates that although both theories are valid in certain circumstances, to rely on either/both to the exclusion of the societal approach obfuscates much of what actually occurs in the process of foreign economic policy-making. Secondly, most studies that focus on interest groups (in relation to trade policy) have focused on the US, the world's most powerful economy. Relatively few studies have focused on similar areas in developing countries. This thesis helps to widen the literature that focuses on developing states, thus giving theorists more data to work with in an underdeveloped field. Finally, the statist approach typically criticises the societal approach for its weakness in not expounding upon how interest groups – once they have overcome the

Conclusion

collective action problem – actually go about exercising their influence. This thesis has analysed this aspect in great detail and has provided a theoretical approach to evaluating precisely this weakness, the three key structures of channels of influence (PI, PPPM and IPI) and in so doing has helped to further the theory of societal centred approach.

The empirical aspect consists of four main contributions. First, this thesis adds to the relatively little attention that the role of Korean domestic interest groups in the field of foreign economic policy-making has received. Secondly, few studies of FTAs in developing countries have covered all phases of an FTA in their analysis. This thesis has taken three FTAs and applied analysis across all three phases of FTA policy formulation, examining the effectiveness of domestic stakeholders across the different phases of Korean FTAs. Thirdly, this thesis helps to shed light on domestic stakeholders as a dominant factor in FTA policy formulation using qualitative case studies. Finally this thesis has provided a strong analytical framework for studying the causal link between interest groups and policy outcomes.

For further study; a comparative analysis between the case studies examined here and other Korean FTAs would be useful for the extension of this study. Also, a comparative study using this thesis' case studies and those of a similarly developing country would be a further useful extension of this study. Finally, an examination of the actual three key structures detailed in this thesis by using comparative studies could help test the soundness of these structures.

Appendix 1

Appendix 1: List of Interviews

| Organisation | Name | Title/Position | Date |
|--------------|--|---|--|
| AWNM | Kim Sung-jong and Park Sung-jik | Leaders of National Confederation of People | Seoul, October 12 th , 2005. |
| CCEJ | Lee Hae-kyoung and Yeun Sung-min | Senior members of CCEJ. | Seoul, October 11 th , 2005. |
| FKI | Na Hyung-kun Choi Sung-hyun Ryu Hyun-jin Lee Byeong-wook Hyung Chang kuk | Director of International Economic Research Department. Senior Research Fellow, International Affairs Division, FKI. Director of FKI Centre of Large and Small Businesses Corporations. Director of Economic Research Division of the FKI. former president of the Washington Office of the FKI (retired in March 2009) | Seoul, November 26 th , 2005. Seoul, October 20 th , 2006. Seoul, March 4 th , 2007. Seoul, October 21 st , 2006. Seoul, March 5 th , 2007. Seoul, August 8 th , 2009. |
| FKTU | Baek Hyun-gi | Director of FKTU. | Seoul, October 22 nd , 2005. Seoul, March 18 th , 2007. |
| KAMA | Yoo Jong-sun | Managing directors of KAMA. | Seoul, December 2 nd , 2005. |
| KCCI | Lee Sang-ho Park Dong-sung | Director of Bilateral Economic Cooperation Committees, KCCI. Director of KCCI. | Seoul, November 24 th , 2005. Seoul, February 29 th , 2007. |
| KCFA | Park Sung-jun | One of co-leader of the KCFA. | Seoul, March 5 th , 2007. |
| KCTU | Chung Byung-duk | Deputy manager of KCTU. | Seoul, October 4 th , 2006. Seoul, March 12 th , 2007. |
| KERI | Huh Chan-guk | Director of Economic Research Division, KERI in FKI affiliates. | Seoul, October 19 th , 2005. Seoul, March 4 th , 2007. |
| KFOTI | Kim Sung-jong | One of directors of KFOTI. | Seoul, March 17 th , 2007. |
| KIEP | Son Chan-hyun | A senior researcher of KIEP. | Seoul, October 31 st , October 2005. |
| KITA | Kim Sung-hyung Cheong Jae-hwa | Senior researcher of KITA. Director of Institute for International Trade of the KITA | Seoul, February 25 th , 2007. Seoul, March 10 th , 2007. |
| KoA | Lee Hae-young | One of the co-leaders of the KoA. | Seoul, February 2 nd , 2007. |
| KPMA | Jang Hyun-seuk | One of managing director of KPMA. | Seoul, March 29 th , 2007. |
| KPAFW | Seo Ju-won | Secretary of The KPAFW. | Seoul, October 6 th , 2006. |
| Hyundai | Gwak Jeong-yong | Director of Hyundai MOBIS. | Seoul, 4 th September, 2009. |
| MOAF | Youn Jang-bae Lee Sung-chun Lee Sang-uk and Hong Jung-woo | Deputy Minister of MOAF. Director of FTA team. Director of International negotiation team in International Cooperation Bureau. | Seoul, October 17 th , 2005. Seoul, September 27 th , 2005. Seoul, September 26 th , 2006. |
| MOCIE | Lee Kyoung-hyun Park Jeong-seong | Director of Trade Policy Division. Leader of FTA Team, in MOCIE (currently MKE). | Seoul, September 13 th , 2005. Seoul, October 3 rd , 2009. |
| MOFAT | Cho Je-hong Ahn Ho-young Lim Choi-kyoung Lee Mi-hyun Kim Jong-hoon | Head of the Department of FTA Trade Policy-Making. Deputy Minister of Trade. Director of FTA policy Bureau. Head of multilateral trade cooperation decision. Trade minister (former the chief negotiator) | Seoul, October 29 th , 2005. Seoul, October 10 th , 2005. Seoul, September, 28 th , 29 th , 2006. Seoul, August 14 th , 2009. August 24 th , 2009. |
| MOFE | Kim Young-tae Kim Sun-min | Deputy director of Economic Cooperation Bureau. A member of FTA Promotion & Policy adjustment Authority division, in MOFE (currently MOSF) | Seoul, September 12 th , 2005. Seoul, October 2 nd , 2009. |
| MOL | Kim Jung-sun | Deputy director of international cooperation bureau in Planning and coordination. | Seoul, October 13 th , 2006. |
| MOPAS | Park Myung-jae | Minister of MOPAS. | Seoul, March 3 rd , 2007. Seoul, August 7 th , 2009. |
| NCP | Kim Sung-jong | One of co-leaders of NCP. | Seoul, October 6 th , 2006. |
| NFF | Lee Jung-bak | One of co-leaders of NFF | Seoul, October 7 th , 2006. |
| NMLU | Kim Hyung-sung | Director of regional director of NMLU. | Seoul, October 17 th , 2006. |
| NPL | Park Jun-young | Leader of the NPL | Seoul, February 3 rd , 2007 |
| PSGK | Kim Dong-sung | One of co-leaders of PSGK. | Seoul, October 11 th , 2006. |
| PSPD | Park Won-suk | Director of PSPD. | Seoul, March 15 th , 2007. |
| SERI | Heun Young-jae Kim Tae-wan | A senior research of Economic Research Department, SERI. Manager of Economic Research Department in SERI. | Seoul, September 23 rd , 2005. Seoul, March 3 rd , 2007. |
| UCCI | Lee Doo-chul | President of UCCI | Seoul, on October 14 th , 2005. |

Bibliography

Bibliography

- Adams, R., P. Dee, et al., (2003). "The Trade and Investment Effects of Preferential Trading Arrangements: Old and New Evidence." Productivity Commission Staff Working Paper: Canberra, May.
- Ahn, B. J. (2006b). The Outline of National Report on the Korea-US FTA. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi.
- Ahn, B. M. (2003). Elites and Political Power in South Korea. Cheltenham, UK, Edward Elgar.
- Ahn, S. M. (2006a). Misfortune of Workers Foretold, Korea-US FTA. Korea-US FTA, Already Failed Future? S. T. Kim. Seoul, PSSP.
- Ahn, S. Y. (2003a). "Analysis on Reaction of Domestic Constituents in FTA Negotiation: The Case of Korea-Chile FTA." Korea trade Review 28(2): 55-79.
- Allison, G. T. (1971). The essence of decision: Explaining the Cuban missile Crisis. Boston, Little Brown.
- Allison, G. T. and M. Halperin (1972). "Bureaucratic Politics: A Paradigm and Some Policy Implications." World Politics 24(1) (Spring Supplement): 40-79.
- Almond, G. A. and G. B. Powell (1966). Comparative Politics: A Developmental Approach. Boston, Mass, Little Brown and Company.
- Alt, J. and M. Gilligan (1994). "The Political Economy of Trading States: Factor Specificity, Collective Action Problems, and Domestic Political Institutions." Journal of Political Philosophy 2(2): 165-192.
- Andrews, B. (1975). "Social Rules and the States as a Social Actor." World Politics 27(4): 521-540.
- Avery, W. P. (1998). "Domestic Interests in NAFTA Bargaining." Political Science Quarterly 113(2): 281-305.
- AWNM and KCTU (2002). Denunciations on the decision to promote the Korea-Japan investment agreement and the Korea-Japan FTA. Seoul, March 23rd.
- Bae, S. I. (2006). Korea-US FTA and Strategic Flexibility. The National Report on The Korea-US FTA. KoA. Seoul, Grinbi: 53-70.
- Bae, U. W. (2001). "The Relationship between Government and Economic Interest Groups in the Authoritarian Political Regimes: Park Jung Hi Regime and Jun Du Hwan Regime." Korean Public Administration Review 35(2): 19-39.
- Bae, U. W. (2002). "Policy Interests, Political Behaviour, and Interests Representative Model of Government and Expert Interests Groups." Korean Political Science Association 36(1): 113-139.
- Baldwin, R. (1993). A domino Theory of Regionalism. Cambridge MA, National Bureau of Economic Research.
- Baldwin, R. (1997). "The Causes of Regionalism." World Economy 20(7): 865-888.
- Baldwin, R. E. and F. Robert-Nicoud (2007). "Entry and Asymmetric Lobbying: Why Governments Pick Losers." Journal of the European Economic Association 5(5): 1064-1093.
- Bark, T. and C. S. Kim (2005). Political Economy of Korea-Japan Free Trade Arrangement: A Korean Perspective. Korea-Japan FTA: Toward a Model Case for East Asian Economic Integration. Seoul, KIEP: 17-41.
- Bearce, David H. (2003). "Societal Preferences, Partisan Agents, and Monetary Policy Outcomes." International Organisation 57(2): 373-410.
- Berry, J. M. (1984). The interest group society. Boston: Little, Brown.

Bibliography

- Bhagwati, J. (1993). Regionalism and Multilateralism: An Overview. In New Dimensions in Regional Integration. J. De Melo and A. Panagariya. Washington, D.C., AEI Press.
- Bhagwati, J. and A. Panagariya (1996). "The Theory of Preferential Trade Agreements: Historical Evolution and Current Trends." The American Economic Review 86(2): 82-87.
- Bhagwati, J. and A. Panagariya (1999). Preferential Trading Areas and Multilateralism-Strangers, Friends, or foes? Trading Blocs, Alternative Approaches to Analysing Preferential Trade Agreements. J. Bhagwati, P. Krishna and A. Panagariya. Cambridge, Massachusetts and London, MIT Press: 33-100.
- Biglaiser, Glen and David S. Brown (2001). "The Determinants of Economic Liberalisation in Latin American." Paper presented for Presentation at the Annual meeting of the American Political Science Association, San Francisco, CA, September 2001.
- Blondel, J. (1996b). Parties and Party systems in East and Southeast Asia. Party and government : an inquiry into the relationship between governments and supporting parties in liberal democracies. J. Blondel and M. Cotta. New York, St. Martin's Press.
- Blondel, J. and M. Cotta, Eds. (1996a). Party and government : an inquiry into the relationship between governments and supporting parties in liberal democracies. New York, St. Martin's Press.
- BOK (2000). Korea-Japan FTA, Competitiveness of Korean industries. Seoul, BOK.
- Bowles, P. (2002). "Asia's post-crisis regionalism: Bringing the state back in, keeping the United States out." Review of International Political Economy 9(2): 244-270.
- Busch, Marc and Eric Reinhardt (2000). "Geography, International Trade and Political Mobilisation in U.S. Industries." American Journal of Political Science 44(4): 703-719.
- Busch, Marc and Eric Reinhardt (1999). "Industrial Location and Protection: The Political and Economic Geography of U.S. Nontariff Barriers." American Journal of Political Science 43(4): 1028-1050.
- Byun, C. G. (2001). "Emerging East Asian Regional Cooperation after the Asian Financial Crisis." Korean Journal of Political Science 9(1): 39-56.
- Cameron, David R. (1988). "Distributional Coalitions and Others sources of Economic Stagnation: On Olson's Rise and Decline of Nations." International Organisation 42(2): 561-603.
- Carey, J. M. and M. S. Shugart (1995). "Incentives to cultivate a personal vote: A rank ordering of electoral formulas." Electoral Studies 14(4): 417-439.
- Castro, R. C. D. (2005). "Politics in Command: The Case of the US Proposal for an FTA with the Philippines." Contemporary Southeast Asia 27(3): 453-471.
- Caves, R. E. (1976). "Economic Models of Political Choice: Canada's Tariff Structure." Canadian Journal of Economics 9(2): 278-300.
- Cha, N. H. and S. H. Lee (2006). The Korea-US FTA and Labour: Influence of the Korea-US FTA on Workers. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 583-630.
- Chang, K. R. (2005). "Korea as a Balancer in Northeast Asia." Journal of Korean Political Science 8(2): 62-85.
- Chang, K. S, and Park and S. K. (2001) "The Relationship between Dual Legal Order and Media Power in South Korea". The Korean journal of sociology 35(2):

Bibliography

1225-0120.

- Chang, W. S. (1994). "Contents on UR Agricultural Products Negotiations and Several Suggestions for the Betterment." The journal of the Korean Society of International Agriculture 6(1): 30-40.
- Cheong, I. K. (1999b). "How to cope with the expansion of FTAs." KIEP: 1-78, Seoul.
- Cheong, I. K. (1999a). "Korea-Chile FTA, its process and development." Journal of International Economics Studies 3(4): 115-136.
- Cheong, I. K. (2001a). "Korea's FTA Policy and its Implication." Korean Association of Negotiation Studies 16(2): 21-42.
- Cheong, I. K. (2001b). How to cope with FTAs. Seoul, KIEP.
- Cheong, I. K. (2001c). Economic Effect and Current Issue of Korea-Japan FTA. Seoul, KIEP, Policy Research 01-04.
- Cheong, I. K. (2003a). A strategic Approach towards a US-Korea FTA. Committee for Korea-U.S. 21st Century. Washington D.C.
- Cheong, I. K. (2003). "Economic Effects of a CJK FTA and Assessment of the Environment for the Trilateral FTA." Journal of northeast Asian economic studies 17(3): 1-26.
- Cheong, I. K. (2004a). "East Asian Economic Integration: Implications for a US-Korea FTA." (American Enterprise Institute for Public Policy Research): 1-22.
- Cheong, I. K. (2005a). "Exploring the possibility for US Korea FTA." Journal of International Logistics and Trade 3(1): 27-48.
- Cheong, I. K. (2005b). "Estimating Economic Effects of a Korea - Mexico FTA." The Journal of the Korean Economy 14: 29-55.
- Cheong, I. K., Ed. (2006). Debate on Korea-US FTA: What is the Truth? Seoul, Haenam.
- Cheong, I. K. and Y. Wang (1999). Korea-U.S. FTA: Prospects and Analysis. Seoul, KIEP.
- Cheong, I. K. and K. H. Lee (2000). Background in Korea-Chile FTA Development, Economic Effect, and Current Issues of the Policy, Economic Policy, No. 3. Seoul, KIEP: 1-129.
- Cheong, J. H. (2005a). The Korea-Chile FTA from the viewpoints of Enterprises. Seoul, KITA.
- Cheong, J. Y. (2006a). Actual Current Issue of the Korea-US FTA: Is It a Globalisation of Finance and Military led by US, National Peace or a Universal Right? Seoul, June.
- Cheong, J. Y. (2004b). "Market Opening, Structural Adjustment, and the Political Economy of Social Compensation: The Case of Korean Trade Politics." Korean Journal of international relations 44(4): 169-195.
- Cheong, S. H. (2001). "Comparative Study on interest politics in Korea and Japan; Focusing on business associations." Journal of Asian studies 44(1): 67-101.
- Cho, H. J. (2008). "Divergent perspectives in Korean broadcasting history: Characteristics and challenges". Journal of Press and Society 16(1): 2-48.
- Cho S. D and Kang, N. J. (2009). "A Study on the Change of Audience's Media Consumption and Composition in a Multimedia Environment." Korean Society for Journalism & Communication Studies 53(1) 233-256.
- Cho, S. H. and M. K. Kim (2002). "A Study on Korea-Japan FTA." Journal of Korean Political Economy 3(1): 133-147.
- Cho, Y. J. (2003). A Textbook of International Trade. Seoul, Beub-Moon-Sa.

Bibliography

- Choi, Byung-il and Lee, Kong-Jin (2005), A Long and Winding Road: Ratification of Korea's First FTA, Ewha Case Studies in International Conflict, Ewha Womans University.
- Choi, B. I. (2006). Korean Economy, Reform and Opening are the Only Ways. The Debate on Korea-US FTA: What is the Truth? I. K. Cheong. Seoul, Haenam.
- Choi, H. S. (2007a). "Empirical Analysing the Trade Barrier Effects of preferential rules of origin in Free Trade Agreement Between The Republic of Korea and The Republic of Chile." Korea Research Society for Customs 8(4): 1-31.
- Choi, I. B. and J. J. Schott (2001). Free Trade between Korea and the United States. Washington, D.C., Institute for International Economics.
- Choi, I. B. and J. J. Schott (2004). Korea-US Free Trade Revisited. Free Trade Agreements, US Strategies and Priorities. J. J. Schott. Washington, D.C., Institute for International Economics: 173-196.
- Choi, J. W. (2006b). "Deliberative Democracy, Rational Participation and e-Voting in South Korea." Asian Journal of Political Science 14(1): 64-81.
- Choi, S. G. (2004b). Korea-Japan FTA, Agricultural Effects and Negotiation Strategy. Seoul, KERI, 87-94.
- Choi, S. J. (2004a). Market Access of Agricultural Products of ChungBuk Province on the Lines of the Korea-Chile FTA. 20-25, Seoul, the East and West Economic Study of Korea.
- Choi, S. Y. (2006a). Korea-US FTA: Challenges and Policy Recommendations from Korea's Perspectives, Brookings Institution and Sejong Institute, May 1-2.
- Choi, T. C. (2006c). "Art vs. Bureaucracy As a prerequisite to beginning FTA talks with the US, the Korean government has agreed to halve its quota allocated towards domestic films." Business Korea 23(236): 1-15.
- Choi, T. U. (2001). "International and Domestic Politics of Foreign Trade Policy, Korea - Japan FTA." Korean Political Science Association 35(3): 475-497.
- Choi, T. U. (2007). Korean Style of Market-Opening Strategy based on Korea-US FTA. Seoul, Changbi.
- Choi, T. W. (2004c). "South Korea's Regional Economic Integration Policy and Domestic Negotiation." IRI Review 9(1): 111-139.
- Choi, Y. J. (2004d). "East Asian Regionalism and South Korea's FTA Strategy." Korean Journal of International Relations 44(5): 85-108.
- Chong, Y. A., S. K. Kim, et al., (2005). Korea-Japan FTA: Toward a Model Case for East Asian Economic Integration. Seoul, KIEP.
- Chung, J. Y. (2006b). East Asian Economic Cooperation and Korea's FTA Strategy. Seoul, East Asian Institute.
- Chung, J. Y. (2006a). "The Political Economy of Regional Monetary Cooperation: Rereading Theories and Implications for East Asia." New Asia 13(2): 101-127.
- Chung, S. J. (2003). "Workers' Responses to Neoliberal Globalisation." Economy and Society 58: 193-221.
- Cohen, B. J. (1990). "The Political Economy of International Trade." International Organisation 44(2): 261-281.
- Cohn, T. H. (2002). Global Political Economy: Theory and Practice. Longman.
- Conybeare, J. A. C. (1983). "Tariff Protection in Developed and Developing Countries: A Cross-Sectional and Longitudinal Analysis." International Organisation 37(3): 441-467.
- Cowhey, P. (1990). States and Politics in American Foreign Economic Policy.

Bibliography

- International Trade Policies: Gains from exchange between economic and political science. J. S. Odell and T. d. Willett, Ann Arbor: University of Michigan press.
- Crane, G. T. and A. Amawi, Eds. (1997). The Theoretical Evolution of International Political Economy. New York, Oxford University Press.
- Croissant, A. (2003). "Legislative Powers, Veto Players, and the Emergence of Delegative Democracy: A Comparison of Presidentialism in the Philippines and South Korea." Democratisation 10(3): 68-98.
- Culter, W. (2006). US-Korea FTA: A Win-Win Proposition. Speech by Assistant U.S. Trade Representative to the American Chamber of Commerce, Seoul, March 7th.
- Damania, R., P. G. Fredriksson, et al., (2005). "Collusion, Collective Action and Protection: Theory and Evidence." Public Choice 3(4): 279-308.
- Desker, B. (2004). "In defense of FTAs: from purity to pragmatism in East Asia." The Pacific Review 17(1): 3-26.
- Destler, I. D. (1995). American Trade Politics. Washington, DC., Institute for International Economics.
- Dicken, P. (2003). Global Shift, Reshaping The Global Economic Map in the 21st century. London, SAGE Publications.
- Dorussen, H. (2006). "Heterogeneous Trade Interests and Conflict What You Trade Matters." Journal of Conflict Resolution 50(1): 87-107.
- Duverger, M. (1972). Party Politics and Pressure Groups. New York, Thomas Y. Crowell Company.
- Ebbinghaus, B. (2003). How the Cases You Choose Limit the Questions You ask: Selection Problems in Comparative Research Designs. European Consortium for Political Research. Marburg.
- Ehrlich, S. D. (2008). "The Tariff and the Lobbyist: Political Institutions, Interest Group Politics." International Studies Quarterly 52(2): 427-445.
- Eum, S. P. (2004). "Democratic development and Electoral systems in Korea". Soonchunhyang Social Science Review: 475-504.
- Evans, P. B. (1985). Conclusion. Bringing the State Back In. P. B. Peter, D. Rueschemeyer and T. Skocpol. New York, Cambridge University Press.
- Evans, P. B. (1995). Embedded autonomy: states and industrial transformation. Princeton, N.J., Princeton University Press.
- Fernandez, R. and J. Portes (1998). "Returns to Regionalism: An Evaluation of Non-traditional Gains from RTAs." World Bank Economic Review 12(2): 197-220.
- FKI (2004c). Effects of Korea-Japan FTA on industry and measures. Seoul, Issue Paper, September, FKI.
- FKI (2004a). Recent trends in FTA promotion and complementary tasks for FTA Roadmap. Seoul, FKI, September, FKI.
- FKI (2005). Survey Results on Opinions of Businesses on the Korea-US FTA. Seoul, FKI.
- FKI (2006). Korea-US FTA. Seoul, FKI, Issue Report, October 25th, FKI.
- FKI (2004b). The View of FKI on the Korea Japan FTA Core Issues. Seoul, FKI.
- FKTU (2006). Source Book for Educating Korea-US FTA. Seoul, The Federation of Korean Trade Unions: 68-69.
- Frankel, J. A., E. Stein, et al., (1997). Regional Trading Blocs in the World Economic System: In the World Economic System, Institute for International Economics.
- Frieden, J. (1991a). Debt, Development, and Democracy: Modern Political Economy

Bibliography

- and Latin America, 1965-1985. Princeton, Princeton University Press.
- Frieden, J. (1991b). "Invested Interested: The Politics of National Economic Policies in a World of Global Finance." International Organisation 45(425-451).
- Frieden, J. (1988). Sectoral conflict and U.S. foreign economic policy, 1914-1940. The State and American Foreign Economic Policy, Ithaca and London: Cornell University Press. G. J. Ikenberry, D. A. Lake and M. Mastanduno. New York, Cornell University Press.
- Frieden, J. and L. Martin (2001). International Political Economy: The state of the sub-discipline. Cambridge, MA, Department of Government, Harvard University.
- Frieden, J. and R. Rogowski (1996). The Impact of the International Economy on National Policies: An Analytic Overview. Internationalisation and Domestic Politics. R. O. Keohane and H. Milner. New York, Cambridge University Press.
- Fukagawa, Y. (2000). Japan-Korea FTA as a New Initiative in East Asia: Beyond Bitterness. Tokyo, Global Communication Platform (GLOCOM) homepage, http://www.glocom.org/opinions/essays/200005_fukagawa_jp_kr_fta/index.html.
- Fukao, K., G. Kataoka, et al., (2005). How to Measure Non-Tariff Barriers? A Critical Examination of the Price-Differential Approach. Korea-Japan FTA: Toward a Model Case for East Asian Economic Integration. C. Y. Ahn, I. K. Cheong, Y. Fukagawa and T. Ito. Seoul, KIEP: 296-340.
- Gais, T. L., & Walker, J. L., Jr. (1991). Pathways to influence in American politics. In J. L. Walker, Jr. (Ed.), Mobilising interest groups in America. Ann Arbor: University of Michigan Press.
- Garrett, G. and P. Lange (1995). "Internationalisation, Institutions and Political Change." International Organisation 45(4): 627-655.
- GBA-JSG (2003). Korea-Japan Free Trade Agreement. Seoul, GBA-JSG, October 2nd.
- Gilpin, R. (1975). "Three Models of the Future." International Organisation 29(1): 37-60.
- Gilpin, R. (2001). Global political economy : understanding the international economic order. Princeton, N.J., Princeton University Press.
- Go, B. K. (2006). Korea-US FTA and Social bipolarisation. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 83-106.
- Godek, P. (1985). "Industry Structure and Redistribution Through Trade Restrictions." Journal of Law and Economics 28(3): 687-703.
- Goldstein, Judith, and Stefanie Lenway (1989). "Interests or Institutions: An Inquiry into Congressional-ITC Relations." International Studies Quarterly 33(2): 303-327.
- Goldstein, J., D. Rivers, et al., (2007). "Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade." International Organisation 61(1): 37-67.
- Gourevitch, P. (1978). "The Second Image Reversed: The International Sources of Domestic Politics." International Organisation 32(4): 881-912.
- Gourevitch, P. (1984). "Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930's." International Organisation 38(4): 95-129.
- Gourevitch, P. (1986). Politics in Hard Times: Comparative Responses to International Economic Crises. N. J., Cornell University Press.
- Gourevitch, P. A. (1977). "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896." Journal of Interdisciplinary

Bibliography

- History 8(2): 281-313.
- Gowa, J. (1988). "Public Goods and Political Institutions: Trade and Monetary Policy Processes in the United States." International Organisation 42(1): 15-32.
- Gowa, J. (1994). Allies, Adversaries and International Trade. Princeton New Jersey, Princeton University Press. 11-21.
- Grindle, M. S. (1996). Challenging the State, Crisis and Innovation in Latin America and Africa. Cambridge, Cambridge University Press.
- Grossman, G. M. and E. Helpman (1994). "Protection for Sale." American Economic Review 84(4): 833-850.
- Grossman, G. M. and E. Helpman (1995). "The Politics of Free Trade Agreements." The American Economic Review 85(4): 667-690.
- Gruber, L. (2001). "Power politics and the free trade bandwagon," Comparative Political Studies, 34(3): 703-741.
- Haggard, S. (1990). Pathways from the Periphery: The Politics of Growth in the Newly Industrialising Countries. New York, Cornell University Press.
- Hall, P. (1992). The Movement from Keynesianism to Monetarism. Structuring Politics: Historical Institutionalism in Comparative Analysis. S. Steinmo, K. Thelen and F. Longstreth. New York, Cambridge University Press.
- Harvey, K. (2004). "Patents, pills and politics: the Australia-US Free Trade Agreement and the Pharmaceutical Benefits Scheme." Australian Health Review 28(2): 218-226.
- Hathaway, O. A. (1998). "Positive Feedback: The Impact of Trade Liberalisation on Industry Demands for Protection." International Organisation 52(3): 575-612.
- He, B. G. (2004). "East Asian ideas of regionalism: a normative critique." Australian Journal of International Affairs 58(1): 105-125.
- Hocking, B. and S. McGuire (2004). Introduction: trade politics: environments, agendas and processes. Trade Politics. B. Hocking and S. McGuire. London, Routledge: Taylor and Francis Groups.
- Holwill, R. and S. V. Andel (2006). Public Hearing Before the Trade Policy Staff Committee, FTA Between the US and Korea. Washington, D. C., March 14, US-Korea Business Council.
- Hong, C. (2006). "Korea's Strategy for the Formation of Multilateral Cooperation System in Northeast Asia: With a Focus on the Simultaneous Perform Strategy of the Idea of Balancer in Northeast Asia." Korean Journal of Political Science 14(1): 47-69.
- Hong, E. J. (2002). "Perspectives and Challenges of the Korean Economy." New Asia 9(3): 110-125.
- Hong, G. U. (2002a). "The Change of SME's Standing after IMF Crisis " Korea Industrial Economics Association 15(4): 101-115.
- Hong, J. W. and T. I. Cheong (2006). "Opening Pandora's Box in Korea-US FTA." Journal of Korea's Labour and Society 112: 114-135.
- Huber, E. (1995). Assessments of State Strength. Latin America in Comparative Perspective, New Approaches to Methods and Analysis. P. H. Smith. Oxford, Westview Press.
- Huh, D. J. (2004). The Expected effects of a Mexico-Japan FTA on Korean exporters, 1-29. Seoul, KITA.
- Hwang, B. Y. (2006). A Bumpy Road for the U.S.-ROK Free Trade Agreement. Washington, DC, the Heritage Foundation: 1-2.

Bibliography

- Hwang, D. Y. (2001). "Korea's International Trade Policy in the Global Age." East Asian Review 13(3): 3-20.
- Hwang, Y. S. (2001). "A Exploratory Study of the Relationship between Internet Use and Political Participation." Korean journal of journalism & communication studies, 45(3): 421-459.
- IDE and KIEP (2000a). Economic Effects and Policy Direction for a Korea-Japan FTA. Seoul, Joint Symposium.
- IDE and KIEP (2000b). Toward Closer Japan-Korea Economic Relations in the 21st Century, Mimeograph.
- Ikenberry, J. G., D. A. Lake, et al., (1988). "Introduction: Approaches to Explaining American Foreign Economic Policy." International Organisation 42(1): 1-14.
- Im, C. S. (2002). "Korea-Japan FTA and Foreign Direct Investment." Center For Russian Studies The Institute of East and West Studies Yonsei University: 67-84.
- Im, C. S. (2005). "A Study on the Trade between Korea and China and Future Direction of Korea-Japan Free Trade Agreement." Korea Research Society for Customs 6(2): 443-462.
- Im, J. B. (2007). Korea-US FTA and its effect on Korea's agricultural sector. Korean Style of Market-Opening Strategy based on Korea-US FTA. T. U. Choi. Seoul, Changbi: 131-172.
- Immergut, Ellen M. (1990). "Institutions, Veto Points, and Policy Results: A Comparative Analysis of Health Care". Journal of Public Policy 10 (4):391-416.
- Jackson, A. (2006). Prospects for the U.S.-Korea FTA, Is Korea Really Changing? ..Enough? Seoul-Washington Forum, the Brookings Institution and The Sejong Institute, May 1-2.
- Jeon, D. K. (2005). "The U.S.-Korea Economic Relations: Issues and Implications." New Asia 12(2): 61-94.
- Jiang, Y. (2008). "Australia-China FTA: China's domestic politics and the roots of different national approaches to FTAs." Australian Journal of International Affairs 62(2): 179-195.
- Ju, C. (2003). "The competitive liberalisation of world trade and Korea's foreign trade policy." Global Economic Review 32(2): 1-19.
- Kang, S. I., J. J. Kim, et al., (2005). Environmental Impact of Korea-Japan Free Trade. Seoul, Korea Environment Institute, 1-103.
- Kastner, Scott L., and Chad Rector (2003). "International Regimes, Domestic Veto-Players, and Capital Controls Policy stability". International Studies Quarterly 47(1): 1-22.
- Katzenstein, P. J., Ed. (1978b). Between power and plenty: foreign economic policies of advanced industrial states. Madison, University Of Wisconsin Press.
- Katzenstein, P. J. (1978a). Introduction: Domestic and International Forces and Strategies of Foreign Economic Policy. Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States. P. J. Katzenstein, the University of Wisconsin Press.
- Katzenstein, P. J. (1985). Small States in World Markets, Industrial Policy in Europe. Ithaca, Cornell University Press.
- Kawai, M. (2004). "East Asian economic regionalism: progress and challenges." Journal of Asian Economics 16(1): 29-55.
- KCTU (2004). Suspend the Korea-Japan FTA, a neo-liberal gamble risking national economy. Seoul, June, KCTU.

Bibliography

- Keohane, R. and Helen Milner (1996a). "Internationalisation and Domestic Politics: An Introduction." In Internationalisation and Domestic Politics: Robert A. Keohane and Helen Milner, editors. New York: Cambridge University Press.
- Keohane, R. and Helen Milner (1996b). "Conclusion." In Internationalisation and Domestic Politics: Robert A. Keohane and Helen Milner, editors. New York: Cambridge University Press.
- Keohane, R. and J. Nye (1989). Power and Interdependence. New York, Harper-Colins.
- Keohane, R. O. and J. S. Nye (1977). Power and interdependence: World Politics in Transition. Boston, Little Brown.
- Khor, M., Ed. (2004). The WTO and The Developing World: Do As We Say, Not As We Did. Whose Trade Organisation: A Comprehensive Guide to the WTO. New York and London, New Press.
- KIE (2000). Korea-Japan FTA and Future of Korean Business. Seoul, Policy Paper 00-81, KIE.
- KIEP (1999). "Korea-Chile FTA and its Economic Estimation." Seoul, KIEP, Working Paper, (November): 1-35.
- KIEP (2000). Economic Effects of and Policy Directions for Korea-Japan FTA. Seoul, Mimeograph.
- KIEP (2001). Toward a Korea-Japan FTA: Assessment and Prospects. Seoul, KIEP, 79-81.
- KIEP (2004). Background, Economic Effects, and Suggestions of the Korea-Chile FTA, Seoul, KIEP, Policy data 04-01.
- KIEP (2005). Analysis on the economic expectations and influences of Korea-Japan FTA. Seoul, KIEP.
- KIET (2002). Study on Korea's engineering industries competitiveness. Seoul, KIET, discussion paper, June, 1-35.
- Kollman, K. (1998). Outside lobbying: Public opinion and interest group strategies. Princeton, NJ: Princeton University Press.
- Kim, A. E. (2006d). "Civic activism and Korean Democracy: the impact of blacklisting campaigns in the 2000 and 2004 general elections." The Pacific Review 19(4): 519-542.
- Kim, B. H. (2005a). "A Spectrum of Modern Liberalism, and Conservatism and Progressivism in Korean Context." 71(1): 27-59.
- Kim, B. K. (2002a). Reservations on Korea-Chile Free Trade Agreements. The Korea Times. Seoul.
- Kim, B. K. (2003). "The US-South Korea Alliance: Anti-American Challenges." Journal of East Asian Studies 3(2): 225-258.
- Kim, C. K. (2006b). "The Crisis of Korean Agriculture and Globalisation: A Macro-Historical Approach." Korean Agricultural Society 16(2): 183-211.
- Kim, C. S. (2001). "The Effect of Korea-Chile Free Trade Agreement using CGE Model." Korean Journal of Agricultural Management and Policy 28(3): 438-456.
- Kim, C. S. (2002c). Perceptions on Free Trade: The Korean Debate over the Japan-Korea Free Trade Agreement. CNAPS, Brookings Institute.
- Kim, C. S. and S. H. Lee (2000). "Korea-Chile FTA and its Potential Effect on Korea's Agricultural Sectors." Agricultural Management and Policy 27(3): 56-73.
- Kim, D. H. (2004d). "Japanese Non-Tariff Barriers against Korea in terms of its Price Differential between Domestic and Foreign Market." Journal of International Trade and Industry Studies 9(3): 47-89.

Bibliography

- Kim, D. H. (1994). "Opening Rice Market in Korea and its side-effect." Monthly Korea Forum **53**(1): 67-76.
- Kim, D. I. (2007b). "Post-Crisis Changes in Korea's Labour Market and Their Implications." Korean Economic Review **55**(4): 473-502.
- Kim, D. K. (2005b). "A Role of China for the North Korea's Nuclear Issue." Korean Journal of Political Science **13**(2): 265-289.
- Kim, D. M. (2002d). "A Study on the FTA in Korea." Chung-Ang Public administration Review **16**(2): 291-318.
- Kim, E. D. (2004b). "A Study on the Financialisation of Korean Economy after 1987." Review of Korean Trade Policy **22**(3): 29-69.
- Kim, E. S. (2000a). "Trade liberalisation and productivity growth in Korean manufacturing industries: price protection, market power, and scale efficiency." Journal of Development Economics **62**(1): 55-83.
- Kim, G. S. (2007c). "The Korea-US FTA and Labor Standards." Journal of Korea Industrial Associations Association **17**(2): 149-167.
- Kim, G. T. (1995). "A Study on the Effects of Cheju Agriculture by the Agricultural Market Liberalisation through the Agreement of UR." The Research Institute for Subtropical, Agriculture CheJu National University **12**: 157-178.
- Kim, H. (2007a). "Security Dilemma in the Korea-US Alliance." **31**: 37-72.
- Kim, H. and Y. Lee (2003). "Agricultural Policy Reform and Structural Adjustment: Historical Evidence from Korean Experience." (Policy Reform and Adjustment Workshop, Wye College).
- Kim, H. H. and B. I. Ahn (2007). "Implications of Korea-US FTA and Directions of Agricultural Policies." Institute of Agriculture & Life Sciences, Gyeongsang National University **41**(4): 91-100.
- Kim, H. N. (1989) "The 1988 Parliamentary Election in South Korea". Asian Survey **29**(5): 480-495.
- Kim, H. R. (2000a). "The state and civil society in transition: the role of non-governmental organisations in South Korea." The Pacific Review **13**(4): 595-613.
- Kim, J. C. (2004c). "Korea-US Bilateral Investment Treaty and Screen Quota: A Two-level Game Approach." Journal of International Trade and Industry Studies **9**(1): 95-121.
- Kim, J. H. (2004d). Searching for a possible solution for Korea's Agriculture in a globalised world. Seoul, the Korea Rural Economic Institute (KREI): 1-27.
- Kim, K. H. (1998). "Bilateral Investment Treaties of the US: Implications and Prospects of the BIT between Korea and US." KIEP(Working Paper).
- Kim, S. (2007). "The Korea's Free Trade Agreement, the Kaesong Industrial Complex, and U.S. Korea Relations." Japanese Focus **752**: 1-9.
- Kim, S. D. (2003b). The Complexity of Korea's an FTA with Chile, large corporations' perspective. Seoul, Dolbage.
- Kim, S. G. (2006a). Outline of National Report on Korea-US FTA. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi, 15-34.
- Kim, S. J. (2006e). "Searching a New Coordination Mechanism at the End of Rapid Economic Growth." Economy and society **69**: 40-70.
- Kim, S. K. (2002b). "The Issues and Countermeasures of the Northeast Asia FTA." Journal of International Trade **8**(2): 1-26.
- Kim, S. K., I. K. Cheong, et al., (2006). "The Impact of a FTA on Labour Market "

Bibliography

- Journal of KyoungSang 20(1): 21-40.
- Kim, S. M. (1996). "The Political Economy of Opening Korea's Rice Market." Korea and World Politics 12(2): 185-225.
- Kim, S. T. (2004a). "Korea' FTA Policy and Is Future Prospect." Sogang Economic Papers 33(2): 63-86.
- Kim, T. W. (2006c). "The U. S. Trade Remedy System and Korea's disadvantage." Journal of Economics and Business 25: 111-129.
- Kim, Y. H. (2003d). The Non-Tariff Barriers in Japan in June 2003: A Survey Result. Seoul, KITA.
- Kim, Y. H. and J. K. Kim (2002). "The Effects of the Korea-Japan FTA on inward FDI and the Implications." Research of Social Science 9(2): 1-36.
- Kim, Y. J. (2005c). "Effect of the Industry which it follows in Korea-Japan FTA Contract and the Countermeasures of Korea." Research Works 7: 15-31.
- Kim, Y. K. (2003a). "A Previous Study on Prospective Countries for FTA Association with Korea and FTA Background of Korea-Chile." Research of Social Science 10: 153-168.
- KITA (2003). the Non-Tariff Barriers in Japan, KITA.
- Kiyota, K. and R. M. Stern (2007). Economic Effects of a Korea-US Free Trade Agreement, Gerald R. Ford School of Public Policy, the University of Michigan.
- Klinger, B. (2006). "South Korea's Economic Forecast." (Brookings Institute and Sejong Institute): May. 1-2.
- Klingner, B. and A. B. Kim (2007). The U.S.-South Korea FTA: A Defining Moment. The Heritage Foundation.
- KoA, Ed. (2006a). the FTA policy planning research team of Korean Alliance against the Korea- US FTA? Seoul, Greenbee.
- KoA, Ed. (2006b). National Report on Korea-US FTA. Seoul, KoA.
- KoA (2006c). A study on Korea's Pharmaceutical Market in Korea-US FTA. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 291-358.
- Koo, M. G. (2006). From multilateralism to bilateralism? Bilateral Trade Agreements in the Asia-Pacific. V. K. Aggarwal and S. Urata. New York and London, Routledge.
- KOTRA (2004). "Study on trade discrimination on Korea's Product in NAFTA." Policy Paper 24-2, October.
- KOTRA (2005). FTAs current status in the world and the case of Korean products discrimination in major markets, 1-45. Seoul, KOTRA.
- KOTRA (2007). Korea-US FTA and benefits of Korea SMEs in Korea. Seoul, Issue Report, November 11th.
- Krasner, S. D. (1978). US Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness. Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States. P. Katzenstein, Madison: University of Wisconsin Press.
- Krasner, S. D. (1984). "Approaches to the State: Alternative Conceptions and Historical Dynamics." Comparative Politics 16(2): 223-246.
- KREI (1999). "Study on Korea's Agricultural sectors in forming Korea-Chile FTA." Seoul, KERI, Policy Paper, November.
- KREI (1999). "The effect of Korea-Chile FTA to Korea's Agricultural Sectors." (Policy Paper, May): 1-35.
- KREI (2006). A study on Korea's Agricultural Market in Korea-US FTA. Economic

Bibliography

- Estimation on Korea-US FTA. S. K. Choi, H. J. Kang and H. J. Y. Seoul, KERI.
- Krueger, O. A. (1999). "Are Preferential Trading Arrangements Trade-Liberalising or Protectionist?." Journal of Economic Perspectives, Volume 13(4): 105-124.
- Kwon, H. J. (2001). "Globalisation, Unemployment, and policy Responses in Korea: Repositioning the State?." Global Social Policy 1(2): 213-234.
- Kwon, O. B. (2006a). We need a wise plan to minimise damage to our agriculture. Seoul, Monthly FKI, 05-06.
- Kwon O.B. (2006b), "Current Situation of the KORUS-FTA and Its Impact on Korean Agriculture." Journal of flood management, Vol.13, No. 2.
- Kwon, O. Y. (1997). "Korean Economic Developments and Prospects." Asian-Pacific Economic Literature 11(2): 15-39.
- Kwon, O. Y. (2003). An Analysis of the FTA Policies of the Republic of Korea: Prospects of a Republic of Korea-Australia FTA. The Graduate Institute of Peace Studies. Seoul, Kyung Hee University.
- Kwon, Y. D., H. J. Lee, et al., (2006). "A Study on Development of Negotiation Strategy for FTA Agreement on Forest Products with Japan, China, USA and Canada." Korea Industrial Economics Association 19(6): 2251-2278.
- Kwon, Y. J. (2002). "How to Tackle the Negative Sentiments against the Corporation in Korea: the Conglomerate Reform." Journal of Social Science 22(-): 21-64.
- Ladewig, J. W. (2006). "Domestic Influences on International Trade Policy: Factor Mobility in the United States, 1963 to 1992." International Organisation 60(1): 69-103.
- Lahiri, S. (1998). "Controversy: Regionalism Versus Multilateralism." The Economic Journal 108(449): 1126-1127.
- Lake, D. (1988). Power, protection, and free trade : international sources of U.S. commercial strategy, 1887-1939. New York, Cornell University Press.
- Lawrence, R. Z. (1994). "Regionalism: An Overview." Journal of Japanese and International Economics 8(4): 356-387.
- Lawrence, R. Z. (1996). Regionalism and Multilateralism, and Deeper Integration. Washington, D.C., Brookings Institution.
- Lee, B. C. (2006a). A Study on Korea's Service Sectors: an FTA with US The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 187-207.
- Lee, B. H. and Y. S. Kim (2003). "Polarised Quality of Working Life between Regular and Non-regular Workers in Korea." Economy and society 60: 129-149.
- Lee, C. G. (1996). "Characteristics of OECD and Cost/Benefit Elements of OECD Participation." Korean Economic Journal 35(2): 217-232.
- Lee, C. H. (2006b). The Korea-US FTA and Breaking of Korean Education. Seoul, KoA: 280-301.
- Lee, C. S. (2007c). "Main Legal Issues on Labor Clauses in FTA between the Republic of Korea and the U.S." Seoul Law journal 48(1): 280-301.
- Lee, C. S., J. H. Park, et al., (2005). The Economic Effects of Korea-US FTA on the Korean Agricultural Sector. Seoul, Korea Economic Institute, 1-22.
- Lee, E. Y. and M. Y. Shon (2001). "Is the Korean Clothing and Textile Industry Processing to Globalisation " Journal of the Korean Society of Clothing and Textiles 25(6): 1131-1142.
- Lee, G. (2002b). "Economic Interdependence, Identity Change, and Issue-oriented Balancing in Northeast Asia." New Asia 9(2): 104-128.
- Lee, G. (2006e). "Peace on Korean Peninsula and Security Community Model in

Bibliography

- Northeast Asia." Journal of northeast Asian Studies **40**: 27-53.
- Lee, G. R. (2004a). "The Analysis of the Developmental Process of Anti-Americanism in South Korea." Korean Journal of International Relations **44**(4): 239-261.
- Lee, H. B. (2005b). "Analysis of Structural Factors in the Trade Unbalance between Japan and Korea" Journal of Korean Economic Studies **14**: 5-27.
- Lee, H. Y., Ed. (2006). The Economic Effect of Screen Quota and Bilateral Investment Treaty (BIT). Seoul, Hanwul Academy.
- Lee, H. Y. (2006f). The Korea-US FTA and ISD implications to Korea. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 497-536.
- Lee, H. Y. (2006c). Unfamiliar Colony, the Korea-US FTA? Seoul, Mayday.
- Lee I. Y. (2008). "Thinking Economic Institutions of 'Korean Peninsula Econom Project': Roh Moo-hyun's Era and After." Journal of Tendency and outlook, 11-43.
- Lee, J. and H. Lee (2005a). Feasibility and Economic Effects of a Korea-US FTA. Seoul, Korean Institute for International Economic Policy.
- Lee, J. B. (2007a). "Balancer in Northeast Asia and Neutralisation of Korea." Journal of northeast Asian studies **43**: 81-99.
- Lee, J. H. (1990). "Special Politics and Political Thought in Industrial Societies: Political Ideology of Interest Groups in Korea." Korean Political Science Association **24**(1): 73-94.
- Lee, J. H. (2005). Analysis: S. Korea's FTA push, (30/03). UPI Business Correspondent.
- Lee, J. S. (2002a). "The Neoliberal Economic Restructuring and the Change of Labor Market in South Korea ." Korean Journal of sociology **36**(3): 25-45.
- Lee, J. W. (2001). "Socio-Political Requirements for the Korea-Japan FTA." Center For Russian Studies The Institute of East and West Studies, Yonsei University. 103-137.
- Lee, J. W. and I. W. Park (2005). "Free Trade Areas in East Asia: Discriminatory or Non-discriminatory?." The World Economy **28**(1): 21-48.
- Lee, K. H., B. K. Kim, et al., (2005). Visible Success and Invisible Failure in Post-Crisis Reform in the Republic of Korea: Interplay of Global Standards, Agents, and Local Specificity, World Bank Policy Research Working Paper 3651.
- Lee, M. B. (2006d). Korea-US Alliance: Time to Take It to the Next Level. Washington D.C., the Brookings Institution.
- Lee, N. G. (2003a). "A Study on Korea's FTA Policy." Korea Trade Review **28**(4): 313-350.
- Lee, S., S. Lee, et al., (2004). FTA Between Japan and Korea: Panacea or Pangloss? Seoul, Working Paper, Korean Association of Trade and Industry Studies.
- Lee, S. H. and S. B. Chun (2004). "FTA between Japan and Korea: Non-Trade Barriers (NTB) and Injured Industries." Japanese Studies **9**(2): 157-180.
- Lee, S. J. (2007b). "The Evolution of South Korea's Trade Policy and FTA." Journal of Korean Political Science and International Relations **27**(1): 103-134.
- Lee, S. M. (2004b). "Korea and Asia's New Order in the 21st Century." New Asia **11**(3): 7-28.
- Lee, S. O. and J. J. Ahn (2002). "A Study on the Problems and Improvement of the Korea's FTA Policy." Social Sciences Review **15**: 193-221
- Lee, S. S. (1998). "Killing Chaebols and Reviving Chaebols." Journal of Democratic Legal Studies Association **14**(1): 72-86.
- Lee, S. Y. (2003c). "The perspectives of Korea-Chile FTA," Nara Economic Bulletin **26**,

Bibliography

- December (KDI): 10-14.
- Lee, S. Y. and S. H. Chun (2005). "Korea-Japan FTA non-tariff barrier and damaged industries." Comprehensive Research on Japan 19(2): 245-267.
- Lee, S. Y. and S. H. Jeon (2004). "FTA between Korea-Japan A Political Economy Approach." Journal of International Trade and Industry Studies 9(1): 143-167.
- Lee, Y. G. (2005a). "First Year Evaluation and its Lessons after Korea-Chile Free Trade Agreement." Journal of Public Policy 18(-): 41-61.
- Lee, Y. H. (2000). "The Change of International Politico - Economy and East Asia Regional Cooperation." Journal of Asiatic Studies 43(2): 1-39.
- Lee, Y. H. (2005d). "Participatory Democracy and Chaebol Regulation in Korea." Asian Survey 45(2): 279-301.
- Lim, H. C. and J. H. Jang (2006). "Neo-Liberalism in Post-Crisis South Korea: Social Conditions and Outcomes." Journal of Contemporary Asia 36(4): 442-463.
- Lim, J. B. (2004). "Internal and External Changing Factors of the Korean Agriculture Sector and Policy Implications." Journal of Agriculture & Life Sciences 38(1): 47-55.
- Lim, J. K. (2002). "Globalisation and Asian NGOs' Strategies for Social Development Implications for the Development of Korean NGOs." Journal of Korean NGO 1(2): 185-215.
- Lim, W. (2006b). KORUS FTA: A Pragmatic and Strategic View. Seoul-Washington Forum, Brookings Institution and Sejong Institute.
- Lim, W. H. (2006a). KORUS FTA: A Mysterious Beginning and An Uncertain Future. Washington, D.C., Brookings Institute.
- Lincoln, E. (2004). East Asian Economic Regionalism. Washington D.C., Brookings Institution.
- Lloyd, P. (2002). New Regionalism and New Bilateralism in the Asia-Pacific, Institute of Southeast Asian Studies. Singapore.
- Lopez, Rigoberto A., and Emilio P. (1996) "Trade Protection and the Role of Campaign Contributions in U.S. Food and Tobacco Industries." Economic Inquiry 34(3): 237-248.
- Lyu, H. J. (2004). "Studies on Korea-Japan FTA and the Role of Large Corporations." Journal of Trade Politics 19(3): 125-149.
- MacIntyre, A. (2001). "Institutions and Investors: The Politics of the Economic Crisis in Southeast Asia". International Organisation 55(1): 81-122.
- Mah, J. S. (2002). "The impact of globalisation on income distribution: the Korean experience." Applied Economics Letters 9: 1007-1009.
- Manger, M. (2005). "Competition and bilateralism in trade policy: the case of Japan's free trade agreements." Review of International Political Economy 12(5): 804-828.
- Mansfield, E. (1998). "The Proliferation of Preferential Trading Arrangements." Journal of Conflict Resolution 42(5): 523-543.
- Mansfield, E. and E. Reinhardt (2003). "Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Preferential Trading Arrangements." International Organisation 57(4): 829-862.
- Mansfield, E. D. and M. L. Busch (1995). "The Political Economy of Nontariff Barriers: A Cross-National Analysis." International Organisation 49(4): 724-731.
- Mansfield, E. D., H. Milner, et al., (2002). "Why Democracies Cooperate More: Electoral Control and International Trade Agreements." International

Bibliography

- Organisation 56(2): 477-13.
- Mansfield, E. D. and V. Milner, Eds. (1997). The Political Economy of Regionalism. New York, Columbia University Press.
- Manyin, M. E. (2006). South Korea-U. S. Economic Relations: Cooperation, Friction, and Prospects for a Free Trade Agreement (FTA), Foreign Affairs, Defense, and Trade Division: 1-29.
- Marie Hojnacki and David C. Kimball (1999). "The Who and How of Organizations Lobbying Strategies in Committee," The Journal of Politics 61(4) 999-1024.
- Marks, Stephen, and John McArthur (1990). "Empirical Analyses of the Determinants of Protection: A Survey and Some New Result". In International Trade Policies: Gains from the Exchange Between Economics and Political Science: John Odell and T. D. Willett, Editors. Ann Arbor: University of Michigan Press.
- Mastel, G. (2004). "The Rise of the Free Trade Agreement." Challenge 47(4): 41-61.
- Mayer, F. W. (1992). "Managing Domestic Differences in International Negotiations: The Strategic use of internal Side-Payments." International Organisation 46(4): 793-818.
- McDaniel, C. and A. Fox (2001). The Economic Impact of Establishing a Free Trade Agreement (FTA) Between the United States and the Republic of Korea, The U.S. International Trade Commission.
- Mckibbin, W. J., J. W. Lee, et al., (2004). "A Dynamic Analysis of the Korea-Japan Free Trade Area: Simulations with the G-Cubed Asia-Pacific Model." International Economic Journal 18(1): 3-32.
- Midford, P. (1993). "International Trade and Domestic Politics: Improving on Rogowski's Model of Political Alignments." International Organisation 47(4): 535-564.
- Migdal, J. (1988). Strong Societies and Weak States, State-Society Relations and State Capabilities in the Third World. Princeton, Princeton University Press.
- Milbrath, L. W. (1963). The Washington lobbyists. Chicago: Rand McNally.
- Milner, H. (1993). Maintaining International Commitments in Trade Policy. Do Institutions Matter? Government Capabilities in the United States and Abroad. R. K. Weaver and B. A. Rockman. Washington, D.C., the Brookings Institution.
- Milner, H. (1997a). Interests, Institutions, and Information. Princeton, New Jersey, Princeton University Press.
- Milner, H. (1997b). Industries, Governments, and the Creation of Regional Trade Blocs. The Political Economy of Regionalism. E. D. Mansfield and H. Milner. New York, Columbia University Press.
- Milner, Helen V. (1988). Resisting Protectionism: Global Industries and the Politics of International Trade: Princeton University Press.
- Milner, Helen V. (1987). "Resisting the Protectionist Temptation: Industry and the Making of Trade Policy in France and the United States During the 1970's." International Organisation 41(4): 639-665.
- Min, I. C. (2007). "An exploratory comparative study on the perception of journalists from mainstream and alternative internet news media toward their audiences: A case study on Donga. com and Ohmynews". Korean journal of broadcasting 21(3): 204-240.
- Mo, J. R. (2001). "Political Culture and Legislative Gridlock: Politics of Economic Reform in Pre-crisis Korea." Comparative Political Studies 34(5): 467-492.
- Mo, J. R., and Moon, Chung-in. (1999). "Korea after the crash". Journal of Democracy

Bibliography

- 10: 150-164.
- MOCIE (2006). Korea-US FTA, the benefits of Korea's automobile industries. Seoul, Issue Paper, No. 123, July 18th.
- MOFAT (2003a). Korea-Chile FTA. Seoul, KIEP.
- MOFAT (2003b). Korea's FTA Roadmap. Seoul, MOFAT.
- MOFAT (2003c). Trade Environment Abroad. Seoul, MOFAT.
- MOFE (2003). "FTA as the Survival Strategy for Korea's Economy." Policy Paper (November): 1-55.
- Moon, B. J. (2006). "Tasks and Directions of Korea-Japan FTA: Korea's Perspective." Journal of Social Science 21: 47-62.
- Moon, B. S. (2005). "Rethinking regionalism: Europe and East Asia in comparative historical perspective." Journal of European Public Policy 12(6): 969-985.
- Moon, C. I. and R. Prasad (1994). "Beyond the Developmental State: Networks, Politics, and Institutions." Governance 7(4): 360-386.
- Moon, D. (2004). "The Political Economy of the Korea: Japan Free Trade Agreement (FTA) - the Importance of the Open FTA." Journal of social science 22: 195-210.
- Munakata, N. (2001). Evolution of Japan's Policy toward Economic Integration, 1-30, CNAPS, Brookings Institution.
- Mundo, P. A. (1999). National Politics in a Global Economy, The Domestic Sources of U.S. Trade Policy. Washington, D.C., Georgetown University Press.
- Na, S. L., D. S. Kim, et al., Eds. (2006). Korea-US FTA Report by the Republic of Korea. Seoul, Dongheng.
- Nakajima, T. and O. Kwon (2001). "An Analysis of the Economic Effects of A Korea-Japan FTA: Sectoral Aspects." Discussion Paper No.0101e (Economic Research Institute for Northeast Asia (ERINA)).
- Nam, S. W. (2007). "A Study on the method of South Korean small-medium sized enterprise in China for entry into Gaesong Industrial Complex: focusing on field survey the companies." North Korean Studies Review 11(2): 101-136.
- Nelson, Douglas (1995). "Internationalisation, Institutions and Political Change." International Organisation 49(2): 627-755.
- Nelson, Douglas (1988). "Endogenous Tariff Theory: A Critical Survey." American Journal of Political Science 33(3): 303-327.
- Netherlands, S. (1991) "Urbanisation and voter turnout in Korea: An update". Political Behaviour 13(1): 21-32.
- Netherlands, S. (1988). "The 1988 national assembly election in South Korea: The Ruling party's loss of legislative majority". East Asia 7(3): 59-76.
- Nordlinger, E. (1981). On the Autonomy of the Democratic State. Cambridge, Harvard University Press.
- NSO (2000). Unemployment rate after the financial crisis. May, Seoul, NSO.
- NSO (2003). Survey of Korea's current employee drift. Seoul, September, NSO.
- Nye, J. S. and R. O. Keohane (1977). Power and interdependence : world politics in transition. Boston, Little Brown.
- Nye, J. S. and R. O. Keohane (1989). Power and interdependence. Glenview, Ill : Scott, Foresman.
- Oatley, T. (2004). International Political Economy: Interests and Institutions in the Global Economy. New York et al., Pearson and Longman.
- Odell, J. S. (1990). "Understanding International Trade Policies, An Emerging Synthesis." World Politics 43:139-167.

Bibliography

- Odell, J. S. (2001). "Case Study Methods in International Political Economy." International Studies Perspectives 2: 161-176.
- Oe, M. G., J. O. Lee, et al., (1999). "Korea-Chile FTA and the potential effect on Korea's Agricultural Markets based on Economic Analysis." Korea Rural Economic Institute April: 1-34.
- Oh, S. H. (2004a). "Korea-Mexico Economic Relationship and FTA." Journal of International Logistics and Trade 1(2): 151-169.
- Okamoto, Jiro eds., (2003) Whither proliferation agreements? Proliferation, evaluation and multilateralisation, Chiba: IDE-JETRO, 2003.
- Okuda, S. (2000). How can Korea take advantage of changing Japanese market?: An application of Gravity Model and RCA Analysis. APEC Study Centre Japan Consortium Conference. Makuhar, on December, 16th-17th.
- Olson, M. (1965). The Logic of Collection Action: Public Goods and Theory of Groups. New York, Schocken Books.
- Ong, E. C. (2003). "Anchor East Asian." The Washington Quarterly 26(2): 57-72.
- O'Reilly, R. (2005) "Veto Points, Veto Players, and International Trade Policy." Comparative Political Studies 38(6): 652-675.
- Park, C. M. (1991). "Authoritarian Rule in South Korea: Political Support and Governmental Performance." Asian Survey 31(8): 743-761.
- Park, C. M., et al., (2003). Korea's FTA strategy and perspectives in future. 7-25, Seoul, Samsung Economic Research Institute.
- Park, H. R. and Y. K. Park (2006). "Korea's Alternative: A Proposal and Problem of the Korea-U.S. Free Trade Agreement." 7(1): 321-339.
- Park, J. H. (2004b). "The Northeast Asian Economic Community, Issues and Perspective of Major Countries of the Region." Journal of Korea's Comparative Economics 11(2): 205-248.
- Park, J. K. (2001). "The Neoliberal Economic Policy and the Change of the Workers' Quality of Life in Korea." Korean Journal of Sociology 35(6): 79-104.
- Park, J. S. (2004a). "A Study of the real aspects and the Virtual Facts of Korea-Japan FTA." Soonchunhyang Social Science Review 10(2): 357-381.
- Park, K. S. (2006). "The Conception and Realisability of a Multilateral Security Cooperation Regime in Northeast Asia Proposed by Roh Moo-hyun Administration." Korean Journal of Sociology 41: 35-63.
- Park, M. H. (2005). "The electing system reform plan for a political reform." Administrative Review 32: 83-106.
- Park, S. H. and M. G. Koo (2007). "Forming a Cross-Regional Partnership: The South Korea-Chile FTA and its Implications." Pacific Affairs 80(2): 259-278.
- Park S. K. and Chang, K. S. (2000). "Political Transition and Changes in the State - Media Relationship in Korea." Korean Journal of Broadcasting, 14(3): 81-113.
- Pempel, T. J. (2006). "The Race to Connect East Asia: An Unending Steeplechase." Asian Economic Policy Review 1(2): 239-254.
- Park Y. B. et al., (2006). "Study on Korea's Dynamic FTA Policy Process: Domestic Dimension." International Area Studies Review 57(2): 373-410.
- Peng, D. (2002). "Invisible Linkages: A Regional Perspective of East Asian Political Economy." International Studies Quarterly 46(3): 423-447.
- Persson, Torsten et al., (2000) "Comparative Politics and Public Finance." Journal of Political Economy 108(6): 1121-1161
- Pincus, J. J. (1975). "Pressure Groups and the Patterns of Tariffs." Journal of Political

Bibliography

- Economy **83**(4): 757-778.
- Pomfret, R. (1997). Unequal Trade: The Economics of Regional Trading Arrangements. New York, Oxford University Press.
- PSPD (2007) Evaluation Scores on Korea-US FTA Issues by Category, PSPD, Policy Paper, December.
- Putnam, R. D. (1988). "Diplomacy and Domestic Politics: The Logic of Two-Level Games." International Organisation **42**(3): 427-460.
- Ravenhill, J. (2004). Trade Politics in East Asia. Trade Politics. B. Hocking and S. McGuire. London and New York, Routledge: 51-64.
- Ravenhill, J., Ed. (2005). Global Political Economy. Oxford and New York, Oxford University Press.
- Ravenhill, J. (2008). "The move to preferential trade on the Western Pacific Rim: some initial conclusions." Australian Journal of International Affairs **62**(2): 129-150.
- Ray, E. J. (1981a). "The Determinants of Tariff and Nontariff Restrictions in the United States." Journal of Political Economy **89**(1): 105-121.
- Ray, E. J. (1981b). "Tariff and Nontariff Barriers to Trade in the United States and Abroad." Review of Economics and Statistics **63**(2): 161-168.
- Roh, M. H. (2004). 'Instead of resist the Korea-Japan FTA and Protect Korean industries, let us assemble to the front line of Crush the tamers of labour markets and 'resisting the detrimental revision of the labour law,' (on November 16th), <http://go.jinbo.net/commune/view.php?board=cool&id=20262>.
- Rodrik, D. (1995). Political Economy of Trade Policy. Handbook of International Economics. G. Grossman and K. Rogoff. New York, Elsevier.
- Rogowski, R. (1987). "Trade and the Variety of Domestic Institutions." International Organisation **41**(2): 203-223.
- Rogowski, R. (1989). Commerce and Coalitions: how trade affects domestic political alignments. Princeton, Princeton University Press.
- Rogowski, R. (2004). US-Korea FTA: The Economic Impact of Free Trade between the United States and Korea. AEI-KITA, Washington, D.C., USITC.
- Roh, B. M. (2007). "The Ideological Configuration of Korean Politics in the Early 21 Century." Korean Journal of Political Science **14**(3): 143-163.
- Rohrlich, P. E. (1987). "Economic Culture and Foreign Policy: The Cognitive Analysis of Economic Policy Making." International Organisation **41**(1): 61-64.
- Rosenbluth, Frances, and Ross Schaap. (2003). "The Domestic Politics of Banking Regulation," International Organisation. **57**(2): 307-336.
- Sakakibara, E. (2003). "Regional Financial Cooperation in East Asia." Journal of World Economic Studies (1): 1-36.
- Schattschneider, E. E. (1935). Politics, Pressure, and the Tariff. New York, Prentice Hall.
- Schott, J. J., S. C. Bradford, et al., (2006). Negotiating the Korea-United States Free Trade Agreement. Washington, D.C., Institute for International Economics.
- Schott, J. J. and I. B. Choi (2001). Free Trade Between Korea and the United States?, Institute for International Economics (IIE).
- Seabrooke, L. (2002). Bringing legitimacy back in to neo-Weberian state theory and international relations, Canberra, Department of International Relations, The Australian National University..
- Shafer, D. M. (1994). Winners and Losers: How Sectors Shape the Developmental Prospects of States. N. J., Cornell University Press.

Bibliography

- Shim, G. H. (2007). Negative Influence of Korea-US FTA on Korean Films and Cultural Art. The National Report on Korea-US FTA. KoA. Seoul, Grinbi: 400-435.
- Shin, D. G. (2007). "Bi-Polarisation of the Income Distribution after the Recent Financial Crisis: Trends, Causes, and Policy Implications." Korean Economic Review **55**(4): 503-548.
- Shin, M. S. (2003a). "Localisation Strategy and Its Performance of Korean Subsidiaries in NAFTA Region." Journal of International Trade and Industry Studies **8**(2): 245-274.
- Shotaro, O. (2006). "Japan's Foreign Policy for Economy and Japan-Korea FTA." Institute For Global Economics **1**: 1-31.
- Shugart M. S. and S. Haggard (2001). Institutions and Public Policy in Presidential systems in Presidents, Parliament, and Policy: S. Haggard and M. D. McCubbins, editors. Cambridge University Press.
- Sim, M. S. (1993). "Nobody cares for opening rice Market in Korea." Monthly Korea Forum **43**(1): 117-118.
- Simmons, B. (1994). Who Adjust? Domestic Source of Foreign Economic Policy During the Interwar Years. Princeton, Princeton University Press.
- Sin, K. W. and B. C. Yoo (2003). "A Study on the effect of FTA Between the Korea-China-Japan." Journal of Economics and Business **22**(1): 135-155.
- Sin, K. Y. (2006). "Social Changes in Contemporary Korea." Economy and society **69**: 10-39.
- Sin, M. S. (1987). "Kim Young - Rae , Interest Groups in Korea." Korean Political Science Association **21**(1): 121-124
- Skocpol, T. (1985). Bringing the State Back In New York, Cambridge University Press
- Smith, M. S. (1980). Tariff Reform in France, 1860-1900: The Politics of Economic Interest. Ithaca, Cornell University Press.
- Sohn, C. H. (2001b). Korea's FTA Developments: Experiences and Perspectives with Chile, Japan, and the U.S. Regional Trading Arrangements: Stock take and Next Steps, Bangkok, 1-23.
- Sohn, C. H. (2001a). Regional Trading Arrangements: Stock take and Next Steps. Korea's FTA Developments, Bangkok, PECC.
- Sohn, Y. (2002). Political Condition of FTA: Case of Korea-Japan FTA. Seoul, Korea Institute of Future Strategies, 1-25.
- Solis, M. (2003). "Japan's New Regionalism: The Politics of Free Trade Talks with Mexico." Journal of East Asian Studies **3**(3): 377-404.
- Solon, P., R. Bissio, et al., (2004). WTO and FTAA: TWO Paths to the same disaster. Whose Trade Organisation? A Comprehensive Guide to The WTO. L. Wallach and P. Woodall. New York and London, the New Press.
- Song, G. H. (2006). Maginot Line of the Korea-US FTA. Seoul, Kaemagowon.
- Song, J. G. (2004). "An Analysis of the Determinants of the Firm's Performance in Korea." Journal of Small and Medium Enterprise **26**(4): 79-98.
- Song, Y. N. (2005). "The future of FDI in Korea." Korea Industrial Economics Association **18**(4): 1471-1488.
- Sorensen, G. (2001). Changes in Statehood, The Transformation of International Relations. London and New York, Palgrave.
- Sung, H. J. and B. K. Jeon (2006). "A Study on the Residents' Sense of Community in Rural Areas." Journal of Korea Social Welfare Policy **27**: 149-170.

Bibliography

- Terada, T. (2003). "Constructing an 'East Asian' concept and growing regional identity: from EAEC to ASEAN+3." The Pacific Review 16(2): 251-277.
- Thelen, Kathleen, and Sven Steinmo (1992). "Historical Institutionalism in Comparative Politics," In Structuring Politics: Historical Institutionalism in Comparative Analysis: Sven Steinmo, Kathleen Thelen, and Frank Longstreth, Editors, New York: Cambridge University Press.
- Tongzon, J. L. (2005). "ASEAN-China Free Trade Area: A Bane or Boon for ASEAN Countries?." World Economy 28(2): 191-210.
- Trefler, D. (1993). "Trade Liberalization and the Theory of Endogenous Protection: An Econometric Study of U.S. Import Policy." Journal of Political Economy 101(1): 138-160.
- Tsebelis, G. (1995). "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism, and Multipartyism." British Journal of Political Science 25(3): 289-325.
- Tsebelis, G. (1999). "Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis." American Political Science Review 93(3): 591-608.
- Tsebelis, G. (2002). "Veto Players and Institutional Analysis." Governance 13(4): 441-474.
- USTR (2006). FTA: United States and Republic of Korea. Washington, D.C.
- Verdier, D. (1994). Democracy and International Trade, Britain, France, and the United States, 1860-1990. New Jersey, Democracy and International Trade, Britain, France, and the United States, 1860-1990.
- Verdier, D. (1998). "Democratic Convergence and Free Trade." International Studies Quarterly 42(1): 1-24.
- Verdier, D. (2001). "Capital Mobility and the Origins of Stock Markets." International Organisation 55(2): 327-356.
- Victor, J. N. (2007). "Strategic Lobbying: Demonstrating How Legislative Context Affects Interest Groups' Lobbying Tactics." American Politics Research 35(6): 826-845.
- Viner, J. (1950). The Customs Union Issue. Washington, DC., Carnegie Endowment for International Peace.
- Wallach, L. and P. Woodall (2004). Whose Trade Organisation? A Comprehensive Guide to the WTO. New York and London, the New Press.
- Weber, M. (1978). Economy and society : an outline of interpretive sociology. Berkeley, University Of California Press.
- Weintraub, S. (2003). Some Implications of US Trade Agreements with Chile and Singapore. LAEBA/US Chamber of Commerce Conference.
- Weiss, L. (1998). The myth of the powerless state : governing the economy in a global era. Cambridge, England, Polity Press in association with Blackwell.
- Weiss, L., Ed. (2003). States in the Global Economy: Bringing Domestic Institutions Back In. Cambridge, Cambridge University Press.
- White, B. (1986). Decision-Making analysis. Approaches and Theory in International Relations. T. Taylor. London, Longman: 64-141.
- Williams, S. M. (1996). "Integration in South America: The MERCOSUR Experience." International relations 13(2): 51-62.
- Winder, J. A. (2006). U.S.-ROK Economic Cooperation: U.S. Perspective, Brookings Institution and Sejong Institute, May 1-2.
- Wright, John R. (1996). Interest Groups and Congress: Lobbying, Contributions, and Influence. New York: Allyn and Bacon.

Bibliography

- Yamazawa, I. (2001). "Assessing a Japan-Korea Free Trade Agreement." the Developing Economies 39(1): 3-48.
- Yang, D. H. (2004). "Globalisation in Historical Perspective." Journal of Economic Development 10(1): 1-32.
- Yang, H. B. (2003). "The Restructuring of small business and Policy Suggestions: A Before and After Comparative Study of the Financial Crisis." Journal of Korea's SMEs 25(2): 353-371.
- Yang, J. (2008). "Australia-China FTA: China's domestic politics and the roots of different national approaches to FTAs." Australian Journal of International Affairs 62(2): 179-195.
- Yang, J. S. (2008). "Korea's FTA with US, its implications." Journal of Anthropological Studies 14: 126-195.
- Yarbrough, B. V. and R. M. Yarbrough (1992). Cooperation and Governance in International Trade: The Strategic Organisational Approach. Princeton, N.J., Princeton University Press.
- Yeats, A. j. (1998). "Does Mercosur's Trade Performance Raise Concerns about the Effects of Regional Trade Arrangements?." The World Bank economic review 12(1): 1-27.
- Yeonguhoe, J. R. (2007). "Material: Stop All the Procedures relating to the KORUS FTA." Democracy and Law, Vol.33, 437-439.
- Yoo, G. J. (2007). "The Concept and Actual Conditions of Inequality." The Korean journal of sociology 30(3): 103-138.
- Yoo, H. S. (2002). "Internal Politics of Korea-Chile FTA negotiation: internal negotiation's comprehensive groups and focusing on the domestic structure." Korea's Political Science Bulletin 36(3): 186-191.
- Yoo, I. S., S. M. Lee, et al., (2004). "Problems and Perspectives of the Korean Film Industry in the Age of the WTO." The Journal of Contemporary European Studies 19(-): 117-145.
- Yoshimatsu, H. (2005). "Japan's Keidanren and Free Trade Agreements: Societal Interests and Trade Policy." Asian Survey 45(2): 258-278.
- Yu, H. S. (2002). "The Domestic Politics of Korea-Chile Free Trade Agreement Negotiation: Interest groups and domestic institutions in domestic negotiations." Journal of Korean Political Science 36(3): 175-198.
- Yu, H. S. (2006b). "Political Institution and Protectionism in Korea: The Case of Korea-Chile FTA Ratification Process." Korea Observer 37(4): 643-673.
- Yu, H. S. (2006). "The Possibility of Northeast Asian Multilateral Security Cooperation, Focusing on Six-Party Talks and the U.S. Policies." New Asia 13(2): 79-100.
- Yu, J. H. (2006a). "Analysis on Appropriateness of Population and Family of Rural Community Problem in Social Studies Textbook." Social Studies Education 45(2): 75-110.
- Yue, C. S. (2004). "Economic Cooperation and Integration in East Asia." Asia Pacific Review 11(1): 1-19.
- Yun, B. S. (2006). A Secret truth behind the Korea-US FTA. The National Report on the Korea-US FTA. KoA. Seoul, Grinbi: 163-186.

Newspapers

Chosun Daily Newspaper (<http://www.chosun.com/>).
Dong-A Daily Newspaper (<http://www.donga.com/>).
E-daily Newspaper (<http://www.edaily.co.kr/>).
Global Economy Newspaper (<http://www.segye.com/Articles/Main.asp>).
Hankook Daily Newspaper (<http://www.hankooki.com/>).
Hankyoreh Daily Newspaper (<http://www.hani.co.kr/>).
Hankyung Economic Daily Newspaper (<http://www.hankyung.com/>).
IB Times (<http://www.ibtimes.com/>).
JoongAng Daily Newspaper (<http://www.join.com/>).
Korean Economic Daily Newspaper (<http://www.hankyung.com/>).
Korea Herald (<http://www.koreaherald.co.kr/>).
Korean SMEs Newspaper (<http://www.smedaily.co.kr/>).
Korea Times (<http://www.koreatimes.co.kr/>).
Kyodo Daily Newspaper (<http://www.kyoto-np.co.jp/>).
Kyunghyang Daily Newspaper (<http://www.khan.co.kr/>).
Labour Daily Newspaper (<http://www.vop.co.kr/>).
Maeil Business Daily Newspaper (<http://www.mk.co.kr/>).
Maeil Daily Newspaper (<http://www.maeil.co.kr/>).
Money Today Daily Newspaper (<http://news.moneytoday.co.kr/>).
Munhwa Daily Newspaper (<http://www.munhwa.com/>).
Nihon Geizai Shimbun (Newspaper) (<http://www.nikkei.co.jp/>).
No-cut Daily Newspaper (<http://www.cbs.co.kr/nocut/>).
Nonmin Daily Newspaper (<http://www.nongmin.com/>).
Ohmy On-Line Daily Newspaper (<http://www.ohmynews.com/>).
Pressian (On-line) Daily Newspaper (<http://www.pressian.com/>).
Segye Daily Newspaper (<http://www.segye.com/Articles/Main.asp>).
Seoul Economy Daily Newspaper (<http://economy.hankooki.com/>).
Newstoon On-Line Daily Newspaper (<http://www.newstoon.net/>).
Venture Daily Newspaper (<http://www.venture.or.kr/web/index.jp>).
Voice of People Newspaper (<http://www.peoplevoice.co.kr/>).
Yonhap Daily Newspaper (<http://www.yonhapnews.co.kr/>).
E-daily (<http://www.edaily.co.kr/>).